MARINADES ■ FINE-DINING SURVIVAL TACTICS ■ SERVICE

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THE MONTHLY MAGAZINE OF THE NATIONAL RESTAURANT ASSOCIATION VOL. 10 □ NO. 4 □ APRIL 1990

RESTAURANTS USA

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Everyone needs an admission card to get into the Show

ASSOCIATION MEETINGS

SEMINARS

Basic Foodservice Courses

Dining Room Management
4/23 Philadelphia, PA
4/25 New York, NY
5/8 Boston, MA
5/9 Portland, ME

Kitchen Management
4/23 Atlantic City, NJ
4/25 Cincinnati, OH
6/4 Denver, CO
6/11 Portland, ME
6/12 Manchester, NY
6/18 Los Angeles, CA
6/19 San Francisco, CA
6/20 Sacramento, CA

Foodservice Management Courses

Banquet Management
4/23 Chicago, IL
4/24 Detroit, MI
6/11 Raleigh, NC
6/18 Cleveland, OH
6/19 Philadelphia, PA

Food Cost Management
4/27 Denver, CO
5/1 Harrisburg, PA
5/2 Knoxville, TN

Labor: Hiring, Training and Retaining
5/7 Tampa, FL
5/8 Miami, FL
6/5 Charlotte, NC
6/6 Nashville, TN

Off-Premises Catering
4/23-24 Minneapolis, MN
6/4-5 Boston, MA

Profitability
4/23 Boston, MA
5/8 Washington, DC
5/22 Richmond, VA
6/5 Pittsburgh, PA
6/6 Detroit, MI

Successful Buffet Management
4/23 Baltimore, MD
5/22 Portland, OR
5/23 Seattle, WA

For information, contact:
Educational Foundation of the National Restaurant Association
250 South Wacker Drive
Chicago, IL 60606
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If your company is interested in our in-house programs, call or write to the attention of Jeff Harrison at the above address.

Exciting things do happen at the 1990 National Restaurant Association Restaurant, Hotel/Motel Show
May 19-23, 1990

Seminars scheduled during National Restaurant Association Restaurant, Hotel/Motel Show

5/19
Applied Foodservice Sanitation
Customer Service*
Dining Room Management
Food Cost Management
Franchising for Growth
Healthy Profits through Nutrition
Kitchen Management*
Labor: Hiring, Training and Retaining*
Perfecting Your Culinary Skills
Profitability
Promoting Your Restaurant*
Successful Buffet Management
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5/20
Applied Foodservice Sanitation
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Dining Room Management*
Food Cost Management
Franchising for Growth*
Healthy Profits through Nutrition*
Kitchen Management
Profitability
Promoting Your Restaurant*
Takeout Delivers Profits*

**half-day program.*

Note: *All Chicago seminars except those at the Show are held in the educational foundation's conference center at 250 South Wacker Drive.*

EXECUTIVE STUDY GROUP SERIES

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5/17-18 Chicago, IL

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4/24-27 Key West, FL

Management Information Systems
4/17-20 Nashville, TN

Marketing Executives
5/16-20 Chicago, IL

Multi-Unit Architects, Engineers and Construction Officers (MAECO)
5/16-18 Chicago, IL

Quality Assurance
4/18-20 Atlanta, GA

For more information on specific study groups, contact: Philip Kralovec, (312) 853-2525.

The Executive Study Groups present semi-annual professional development programs for executives who would like to meet with their industry peers to share ideas and concerns. Executives in each of the afore-mentioned disciplines from member foodservice companies are welcome and encouraged to participate.

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RESTAURANTS USA

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PRESIDENT'S REPORT

Harris H. "Bud" Rusitzky, President
Serv-Rite Food Service and Consulting Corporation
Pittsford, New York

100,000 to attend Show

In just a little more than a month the 71st National Restaurant Association Restaurant, Hotel-Motel Show will open in Chicago's McCormick Place. The annual Show is the university of the foodservice industry; no industry professional can afford to miss it. From May 19 to May 23 attendees will have their choice of hundreds of exhibits, seminars and educational events.

Here is just a sampling of what you will find there: final tryouts for the 1992 Culinary Team USA, the Ice Carving Classic, the Culinary Arts Salon, an opening-day program featuring Pulitzer-Prize winning columnist Jack Anderson, daily grand-opening festivities for the new exhibit hall in McCormick North's lobby level, the Grand Banquet and Show/CLF Gala featuring Dinah Shore, a morning with Nora Ephron, The Salute to Excellence Reception and Dinner, The Salute to Excellence Student Forum, the Theater Series, the Management Clinics, educational seminars, the Main Course 10-K race and the Hennessy Awards Luncheon.

You can't afford to miss this chance to become acquainted with new products, new techniques and new contacts. Return the Show registration form you received in the mail to ensure admission and to reserve accommodations.

ADA progresses through Congress

The Americans with Disabilities Act (ADA), the law banning discrimination against disabled persons as consumers and as employees, has passed the Senate and two committees in the House. At present it is being considered by the Judiciary Committee, which will not finish with it until after the Easter recess. This will give representatives from our association more time to try to convince legislators and administrators that there are still problems with the bill as it is now written.

Our industry has an excellent record in regard to employing and accommodating the disabled. We support the intent of ADA, but we are fighting for a bill that will protect disabled individuals without unduly penalizing business.

Association seeks clarification of new minimum-wage law

The National Restaurant Association is alerting Congress to an apparent oversight in the new minimum-wage bill that will adversely affect many small businesses. In an effort to simplify the law an important section was deleted, with the result that the $500,000 small-business exemption no longer applies in many cases. The bill became effective April 1. As it stands now, all employees engaged in "interstate commerce" must be paid new minimum-wage rates—even if their employer grosses less than $500,000 a year.

If the Department of Labor decides to go ahead with strict interpretation and enforcement, the National Restaurant Association will seek legislative relief to correct this oversight.

Congress considers two child-care bills

Two versions of child-care legislation are now being considered by Congress. Both would provide money for aid to low-income parents through tax credits and for

the expansion of existing programs, such as Head Start. Both would also give money to the states for direct aid to child-care providers. However, there remain some unresolved problems with both bills, including the scope of the bills and whether the federal government should mandate standards for providers.

Our association is firmly in favor of a child-care bill. Child-care aid would also make it possible for more people to enter the workforce. Of course, we must ensure that no employer mandates are included in any child-care bill that is passed.

Association teaming with MADD to push universal ID

At this year's Show, the National Restaurant Association will hold a press conference with MADD (Mothers Against Drunk Driving) to announce a joint push to (1) have states make reasonable laws punishing minors for using false IDs and (2) to have states issue a universal ID for minors. We're very happy that MADD sees the need for these actions on the part of the states and is willing to cooperate with us in lobbying the individual states to make the necessary changes.

PRO-MOTION enters ninth year

This year *PRO-MOTION* enters its ninth year of publication. Published by the National Restaurant Association, *PRO-MOTION* is a bi-monthly, four-page newsletter full of innovative—but practical—ideas for promoting your restaurant. You can pick and choose from the many proven promotions included in each issue, regardless of the nature of your business.

PRO-MOTION will help you take advantage of every potential holiday and traffic booster. Articles include new ways to update familiar promotional tools as well as offbeat and wacky suggestions for creating your own unique campaigns. Subscribe by calling 1-800-424-5156 or (202) 331-5900. Cost to members is $15.

Great Menu Contest winners announced

Judges from the media, the trade press and design firms gathered at our association's Washington DC headquarters March 13 to choose the winners in this year's Great Menu Contest. From nearly 600 entries they picked as first grand-prize winner New York Sports Authority, a sports restaurant/bar in Secaucus, New Jersey, operated by Prime Management Co., Inc., Fairfield, New Jersey. Second grand-prize winner was Denny's Inc., based in Irvine, California. Third grand prize went to Grisanti's, headquartered in Louisville, Kentucky.

In addition, prize winners were picked for each of nine categories. Look for the display of the Great Menu Contest winners at this year's Show.

New members, welcome

Last month 77 new members joined the National Restaurant Association. We welcome you and look forward to working with you on behalf of the foodservice industry.

Sincerely,

Bud Rusitzky

Harris H. "Bud" Rusitzky
President and Chairman of the Board

RESTAURANTS USA

COVER STORY: RENEWAL AND GROWTH AT THE 1990 SHOW

21 The 71st Annual National Restaurant Association Restaurant, Hotel/Motel Show will be held in Chicago, May 19–23. Just as the Show grows and renews itself each year through an infusion of new exhibits and events, Show attendees also return each year to learn and grow. This pre-Show newsletter provides a complete preview of Show attractions. To help you make your plans, don't miss the schedule of events that appears on pages 24 and 25.

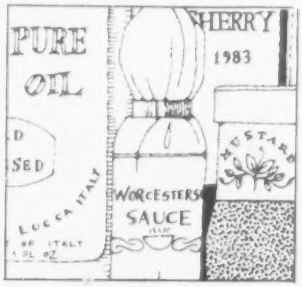
SPECIALS

10 Fine-dining survival tactics
With an increasing number of customers seeking a more casual and inexpensive dining experience, many white-tablecloth restaurants find themselves struggling to compete. Fine-dining operators from across the country describe their strategies for bringing in new customers—from completely changing their concepts to simply lowering their prices.

14 Service with a smile—and a guarantee
A restaurateur from Seattle describes how standing behind a service guarantee has transformed his business philosophy, increased his profitability and encouraged high morale among his employees.

18 Management by relevance
Managers often make decisions based on irrelevant material from accounting reports. This article offers methods for analyzing financial data by focusing on the information that is relevant to making specific decisions. It includes examples to show how it's done.

31 Marinades deserve a second look
Marinades have been used for centuries to tenderize and preserve meats, as well as to give foods distinctly robust flavors. In this article, noted chefs share their modern marination tips and recipes.



33 Eight tax-saving tips
These valuable pointers can take the dread out of the April 16 tax deadline—and save you big money.

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- ☐ "A letter to our friends"

Cover photo by Gary Landsman

Connecticut food professionals fight hunger

Caring in Connecticut. **These Connecticut-area restaurateurs, caterers and food professionals joined together in *Bon Appetit's* Taste of the Nation benefit to fight hunger. Organized nationally by Share Our Strength (SOS), the benefit included food and wine tastings and dinners in more than 60 cities across the country.**

CHRIE campaign needs sponsors

The Council on Hotel, Restaurant and Institutional Education (CHRIE) is developing a multi-faceted program to promote the wide range of employment opportunities offered by the hospitality and tourism industry. The program, called

Ninja Turtle home videos

Ninja Turtles invade Burger King. **In its second Teenage Mutant Ninja tie-in, Burger King Corporation will offer consumers four separate video episodes of "Teenage Mutant Ninja Turtles" not released on home video. Working with Family Home Entertainment, the children's division of International Video Entertainment Inc., Burger King launched the promotion on March 29. A different turtle will become available each week for four weeks. The programs are "April Foolish," "The Great Boldini," "Invasion of the Turtle Snatchers" and "Sky Turtles."**

Burger King is supporting the promotion with a bold advertising campaign, including prime-time and Saturday-morning spots. Posters, mobiles and promotional support materials are also being displayed in restaurants.

Hazan helps launch Atlanta restaurant

Marcella Hazan, the famed cooking expert and one of the world's best-selling Italian cookbook authors, is temporarily forsaking her home and kitchen in Venice, Italy. She is spending March and April in Atlanta, Georgia, as a hands-on consultant to a new restaurant, V.V. Vici (short for Julius Caesar's famous quote, "Veni, Vidi, Vici"). Set to open at the end of April, the restaurant will feature authentic, homestyle Italian cooking.

The chef, Joey Venezia, a graduate of the Culinary Institute of America, was previously at several of the country's leading restaurants, including the dining rooms of The Mansion on Turtle Creek in Dallas and the Bel-Air Hotel in Los Angeles. In preparation for the Atlanta opening, Venezia has worked extensively with Hazan, both in Italy and the United States.

Raising some green on St. Patrick's Day

Shamrocks and charity. **McGuffey's in Hendersonville, North Carolina, raised $3,500 for Muscular Dystrophy during its St. Patrick's Day auctions. Local merchants donated such items as jewelry, rugs, wall hangings and clothing.**

"Welcome in the Future," is aimed at middle and secondary-school students. The program will include a combination music/educational video and print materials, including brochures, posters, stickers and buttons.

"One of the industry's main obstacles in recruiting new employees is its perceived image as an industry composed only of employees who work long hours in low-paying positions. Too often this is reinforced by representatives of other industries or members of the media who tend to stereotype industry employees as 'hamburger flippers.' We want to overcome that type of negative image and portray the industry in a more positive light," says Rudy Lakosh, director of employment for Stouffer Hotels & Resorts and chairman of CHRIE's hospitality recruiters special-interest section.

CHRIE has four objectives in producing the video: (1) to define the scope and magnitude of the hospitality and tourism industry in a way that is easily understood by middle and secondary-school students, (2) to enhance the image of the industry in the eyes of those same students, (3) to generate awareness among these students of the multitude of opportunities for both short-term employment and lifelong careers in the industry and (4) to assist the industry in attracting qualified employees.

CHRIE is seeking financial contributions and in-kind donations for the production and distribution of the video and the other project components.

Everyone who contributes to the project will be listed in the credits following the video and all accompanying printed materials. In addition, for every $100 contributed to the program, donors will receive a complimentary copy of the video.

Information kits containing a copy of the "Welcome in the Future" logo, theme song and other materials are available by contacting Douglas E. Adair, executive vice president, CHRIE, 1200 Seventeenth St., N.W., Washington DC 20036-3097. Telephone (202) 331-5990.

Telling the old from the new

New label for Perrier. **A "Nouvelle Production" label will identify Perrier produced under new quality-control procedures—double filtration of the carbon dioxide, controlled industrial trials, specific tests for hydrocarbonate compounds and back-up verification by both an outside laboratory and a team of international experts. Distribution is scheduled for April in the United States.**

Hooray for holidays!

Dear Editor:
Your article on the 12 most popular holidays for dining out was very interesting.

As I read through each paragraph, I found myself agreeing with almost every word you had written. And each and every one of the holidays mentioned is a hot ticket here at "Sebbie's." However, your ranking of holidays is a little different from the way we rank here. Of course, birthdays are still number 1, but the rest of the ranking varies . . .

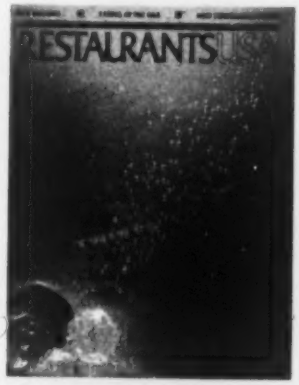
	Rank
Birthdays	1
New Year's Eve	2
Mother's Day	3
Easter	4
Valentine's Day	5
Secretaries' Day	6
Christmas Eve	7
Father's Day	8
St. Patrick's Day	9

We are closed on Thanksgiving Day, Christmas Day and New Year's Day. It seems that regardless of the holiday, we always book three to four weeks in advance. I believe this is due to our reputation and our view.

Sebastian's is located at the top of the Prune Yard Tower in Campbell, California, right in the heart of Silicon Valley. This is the tallest building between Los Angeles and San Francisco, and we are nestled right at the top. As you can imagine, our view is spectacular! The nightclub, Club Jenine's, sits above the dining room at penthouse level. It, too, has an incredible view. Hence the restaurant has a reputation of being very romantic, and it caters not only to the large Silicon Valley corporations but also to what we like to call "special occasioners."

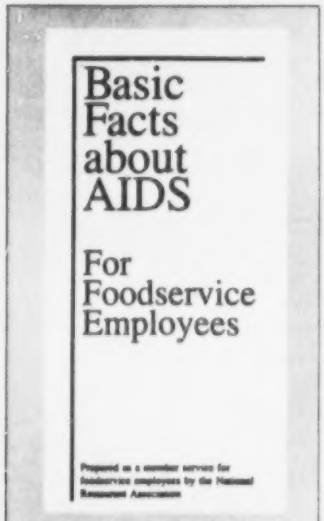
I read your publication religiously, and I always look forward to reading the many interesting articles. I would be interested if ***Restaurants USA*** would feature more events and restaurants in the Northern California area, specifically the South Bay. I would love to see what the East thinks of the West.

—Cynthia Maloney, marketing coordinator, Sebastian's, Campbell, CA



Employees need more information about AIDS

Few people would have guessed that a rare disease identified at the start of the 1980s would have the potential to drastically change our lives. Almost every aspect of living has been affected to some extent by Acquired Immune Deficiency Syndrome (AIDS). The hysteria surrounding AIDS is a major problem facing the hospitality industry. Studies show that employers believe that AIDS is the number-one long-term issue facing the foodservice industry.



Editor's note: The National Restaurant Association provides educational materials on AIDS for managers and employees. Both a brochure and videotape are available. Call the publications department at 1-800-424-5156, or (202) 331-5900.

Medical experts at the AIDS Service Organization at the Centers for Disease Control say there is no evidence that AIDS can be spread through restaurants or by food handling. The Florida Department of Health and Rehabilitative Center has issued a public-interest message that says AIDS cannot be spread by:

1. touching dishes, clothes, tools
2. eating food prepared by a person with AIDS
3. being near a person with AIDS
4. spitting, coughing, or sneezing
5. using toilet seats, bathtubs, etc. and
6. nonsexual physical contact, such as a handshake.

With regard to workers, such as cooks, waiters and bartenders, the Centers for Disease Control state that all laboratory evidence indicates that blood-borne and sexually transmitted infections are not transmitted during the preparation or serving of food or beverages. The stark reality, however, is that restaurant traffic and sales are decreasing because of the AIDS scare.

In 1989 I conducted a study in Eau Claire, Wisconsin, selecting 120 foodservice employers/employees of various establishments at random. Eighty-seven agreed to participate in the study, resulting in a response rate of 73 percent.

The study group indicated that they have some knowledge regarding AIDS; but when the same group was asked if they had received any kind of formal education on the AIDS topic, the majority answered that they had not received formal education.

The majority of the participants believe that AIDS is a major health problem, and they show no concern about contracting the disease.

Half of the participants believe that it is very possible to contract AIDS when eating in a restaurant where the chef or the server has AIDS; 69 percent believe that AIDS is transmitted through casual contact.

On the basis of the study findings and the research of others, I strongly urge foodservice employers to establish an AIDS-education program. Otherwise the financial repercussions of the AIDS hysteria on the foodservice industry will continue to build, leading to a loss of business and high turnover rates.

—Said Ladki,
assistant professor,
West Virginia University,
Morgantown, West Virginia

*Readers are invited to comment on industry issues, **Restaurants USA** articles and association activities. Send your opinions to Feedback, **Restaurants USA,** 1200 Seventeenth St., N.W., Washington DC 20036-3097. Submissions may be edited for length.*

Stiffer penalties for child-labor violations

"There has been a dramatic increase in child-labor violations, and we believe that one of the ways to turn that trend around is to make it more costly for those who violate the law," said Bill Brooks, assistant secretary for the U.S. Department of Labor's (DOL's) Employment Standards Administration (ESA) in an interview with ***Restaurants USA.*** Thus DOL has announced a new policy to crack down on people who employ minors illegally.

Larger fines expected

As the head of ESA, which enforces child-labor and other labor standards through its wage and hour division, Brooks is in charge of implementing the tougher child-labor enforcement policy announced on February 7 by DOL Secretary Elizabeth Dole.

Federal child-labor laws limit working hours for children under age 16 and prohibit workers under age 18 from certain "hazardous occupations."

DC ROUNDUP

□ **New wage law takes effect.** The federal minimum wage rose for the first time in eight years on April 1, climbing to $3.80. At the same time, the maximum federal tips credit increased from its current 40 percent to 45 percent.

Although the new law exempts small businesses grossing less than $500,000 a year, companies grossing between $362,500 and $500,000 must continue to pay employees at least $3.35 per hour and follow overtime and child-labor laws.

Because of a change Congress made in last year's wage bill, any employee who engages in "interstate commerce" during a work week, *even in a business grossing less than $500,000 a year,* is fully covered by federal minimum-wage law for that week.

The National Restaurant Association has begun urging Congress to repeal the interstate-commerce distinction, arguing that lawmakers had no idea of the complications this requirement would cause for small businesses.

□ **DOL releases training-wage regulations.** Nothing is simple in government, as recently proven by the 14-page guide to the new training wage that the U.S. Department of Labor (DOL) published in the March 1 *Federal Register.*

Employers who want to pay workers the new training wage beginning April 1 must follow a host of rules. Eligible employees under age 20 may be paid the training wage—at a rate no lower than $3.35 for the year beginning April 1, 1990—for up to 90 days. Workers may be paid the lower wage for an additional 90 days if they change employers and the new business provides on-the-job training in accordance with DOL rules.

DOL will solicit public comment on its "interim" training-wage rule until April 30. Changes are expected when DOL publishes a final rule.

□ **Association argues against ban on loans for dispensing equipment.** National Restaurant Association lobbying director Mark Gorman appeared be-

Until the February 7 announcement, DOL's policy had been to fine guilty employers up to $1,000 for each illegally employed child. Under Brooks' new directive, wage-and-hour investigators will penalize guilty employers up to $1,000 for each violation against each child.

In addition to the new fines policy, Brooks also pledged to make greater use of court injunctions against people who "egregiously disobey the law."

Although DOL's tougher enforcement policy will lead to heavier penalties, Brooks emphasized that "the people who today are living within child-labor laws will not be affected by the changes at all. We will operate within the framework of our existing laws, but we're going to make it more costly for employers who violate them."

Brooks says DOL plans to hike fines for child-labor violations.

Other changes possible

Testifying at a March 16 House subcommittee hearing on child labor, Brooks said that increased enforcement of current regulations is "not the end of our overall action plan on penalties" and promised to "take a hard look at whether the present statutory maximum penalty of $1,000 per violation should be increased."

Reps. Donald Pease (D-OH) and Charles Schumer (D-NY) announced at the hearing that they plan to introduce a bill to increase the maximum civil and criminal fines for child-labor violations and to require jail terms for repeat violators.

Schumer said that among several other provisions, his bill would clearly prohibit young employees from operating power-driven food slicers. DOL is also working to make this policy official, codifying its longtime practice of penalizing employers who allow restaurant workers under age 18 to operate power food slicers.

The Government Accounting Office expects to release a report on child labor to Congress by May that will help determine specific legislative changes to child-labor laws.

Other recommendations for reform may emerge from a DOL task force, established in February, that has begun a comprehensive study of child-labor issues.

—Andrew McLauchlin

Prohibited work

Under federal law the minimum permissible work age is 14. At age 18, teenagers may work at any job. Although this list is not complete, restrictions on the permissible type of work for youths 14 to 18 include the following:

Under federal child labor law, 14 and 15-year-olds may not:

- ☐ Work in or around a boiler or engine room
- ☐ do maintenance or repair work on machines and equipment
- ☐ work with ladders, scaffolds or similar equipment
- ☐ cook (except at soda fountains, lunch counters, snack bars or cafeteria serving counters) or bake
- ☐ operate, set up, adjust, clean, oil or repair power-driven food slicers and grinders, food choppers and cutters, and bakery-type mixers
- ☐ work in freezers and meat coolers and
- ☐ load or unload goods to and from trucks, railroad cars or conveyors.

Minors aged 16 and 17 may not:

- ☐ Operate power-driven shearing machines or bakery machinery (Note: DOL has taken the position that 16 and 17-year-olds may operate pizza-dough rollers only if the dough rollers meet certain safety criteria.)
- ☐ operate circular saws, band saws and guillotine shears.

Editor's note: All states have child labor laws. Many of these set higher standards than the federal law. Whenever a state standard differs from a federal standard, the higher standard must be observed.

fore subcommittees of the Senate Commerce and Judiciary committees in late February to testify against S. 114, a bill introduced by Sen. Daniel Inouye (D-HI) to prohibit soda companies from providing restaurants with low or no-cost soft-drink dispensing equipment.

Inouye calls the practice anticompetitive, claiming it hurts the smaller companies that sell dispensing equipment. Gorman argued that the practice is a legitimate marketing tool similar to other accepted promotional incentives. Banning equipment loans, he said, could raise costs for smaller restaurants, which often do not have the capital to invest in top-quality equipment.

☐ **FDA bans sulfites on "fresh" potatoes.** Beginning April 16, 1990, the U.S. Food and Drug Administration (FDA) will ban the use of any sulfiting agent on "fresh" potatoes served or sold unpackaged and unlabeled to customers.

The anti-browning preservatives have been implicated in at least 17 deaths and 1,000 severe reactions among sulfite-sensitive individuals. The use of these preservatives has already been banned on fresh fruits and vegetables, and FDA requires labeling on any processed foods that contain sulfites above a detectable level.

The agency has not banned sulfites in canned, dehydrated or frozen potatoes. The National Restaurant Association recommends that operators read labels on the packaged foods they serve to find out whether these products contain sulfites.

☐ **Treasury requires larger warnings on alcohol labels.** Responding to consumer complaints that warnings on alcohol containers are too small or overly condensed, the U.S. Treasury Department has written new regulations governing the size and placement of these warnings.

Since last November, alcohol containers have been required to carry warnings about the dangers of drinking and driving and of drinking during pregnancy. Under the final ruling, these warnings must be more prominent and readable beginning this November.

—Denise Roach

FINE-DINING SURVIVAL TACTICS

THE SEARCH FOR VOLUME WITH LOWER PRICES

by Julie Fintel

When Richard Krause and Lee Friedman opened Melrose in Greenwich Village in October 1987, business was great for two years. Then the owners saw a decline, as customers, primarily from Wall Street, either couldn't afford to come there anymore or went to try the city's latest "fashionable" eating places. So Friedman transformed Melrose into a bistro with a new name (Barrow Street Bistro), simpler food, a more casual atmosphere and lower prices.

On the other side of the country, in Santa Monica, California, Michael McCarty, owner of Michael's, realized that his restaurant's reputation as one of the most expensive in Southern California was keeping new customers away. McCarty cut prices at Michael's by a third.

In Atlanta, Buckhead Restaurant Group, owners of upscale Capriccio Ristorante, found out the city's diners preferred their Italian restaurants to have a more casual atmosphere, with prices to match. Capriccio is in the process of making up a new menu that will include more lower-priced items to bring the average individual check down from $42 to $26.

These restaurants, like many others, are finding ways to respond to the changing times—times when growth in the foodservice industry is the slowest it's been since 1980, when value for the dollar is of keen concern and when an ever-greater number of establishments are scrambling for an ever-smaller share of the dining-out dollar.

The baby boomers and their changing lifestyle are also responsible for a decline in popularity of high-priced establishments. The boomers are settling down and having babies of their own; and they're eating out in more relaxed, less expensive eateries.

Fine dining feels the pinch

Fine-dining restaurants are feeling the pinch most of all. Although restaurant owners agree that fine dining will always have its appeal, changing economic conditions have limited the number of people who can afford to respond to that appeal. Thus many white-tablecloth restaurants are making adjustments.

Some are changing their menus to include more lower-priced items. Some are adding a bistro-like addition to their more expensive dining rooms. And some, like Melrose, are doing away with their whole fine-dining concept and replacing it with a more casual look, simpler food and lower prices. Whatever the solution, the intent is usually the same—to increase volume by finding new customers while continuing to please the old ones.

Friedman's restaurant, Melrose, used to do a big business with the financiers of Wall Street. "My old customers were on an expense account and liked to come to the restaurant because it was the latest fashion," he said. But as the financial business floundered and other restaurants became the "in place," Friedman decided he needed a different kind of customer. He turned Melrose into a bistro, with lower prices to match.

He replaced the high-tech look with a cozier decor by installing different lighting, using softer colors and hanging curtains at the windows. He changed the food, too—from California-style nouvelle cuisine to heartier, simpler dishes like lamb chops, rib-eye steak, liver and onions, and sea bass in parchment. Average price for a dinner has dropped to $20 to $25, as compared to $50 in the original restaurant. A grilled-chicken-and-fries entree costs $11. Along with the new look and new menu came the new name Barrow Street Bistro.

The changes have paid off. During the first week the bistro was open, business was up 50 percent; the second week it rose another 50 percent.

Tactics on the East Coast

Friedman's experience is typical of what's happening to other restaurateurs in New York City, where the changing economic climate has hit hardest. The October 1987 stock-market crash began a trickle-down effect that has meant a drop-off in sales for many of that city's fine-dining restaurants. Financial houses have either closed or laid people off, and those who still have jobs have less money to spend. Since last September, 6,000 jobs have been lost on Wall Street—in addition to 17,000 lost in the previous two years. The recent bankruptcy of Drexel Burnham Lambert Inc. dealt another big blow to the city's financial sector; it is expected to result in a total loss of 3,400 jobs by the end of this year.

Julie Fintel is a communications specialist at the National Restaurant Association.

Eric Westbrook

Plus there's the nature of the restaurant business itself in New York City. New Yorkers pride themselves on knowing which restaurants are the "in" places. But what's "in" one year can become "out" the next, as patrons flock to the newest establishment that has captured the attention of the "people who count."

So restaurateurs are less likely to position themselves as trendsetters. Instead, they are opting for a more regular clientele. "We want to be like an old shoe that's comfortable and familiar," says Friedman of his new restaurant. To attract the neighborhood residents and area workers, he has placed advertising in all the local papers and magazines, calling Barrow Street Bistro "a down-home bistro with solid popular prices."

The new bistro has also attracted the attention of restaurant reviewers, who are giving him lots of favorable free publicity in local publications. Another tactic Friedman uses to bring in neighborhood business is to not book reservations too far in advance. At the old restaurant, customers made reservations a few weeks ahead of time. Now the bistro tries to keep weekends open as close to a Friday or Saturday night as possible to bring in locals making last-minute plans. In fact, Friedman tries to leave 40 percent of his bookings open for walk-ins.

Other New York restaurants are trying to offer more for less. Tavern on the Green, where the average luncheon price was $26, has added fixed-price lunches for $13.50 to $18.50. For the lower prices, patrons get a choice of soup or salad, choice of eight entrees and six to eight desserts, and coffee or tea. The most popular entree, says Kate Merlino, director of the restaurant's public relations, is the braised short ribs of beef served with bow-tie pasta.

The fixed-price lunch was begun in February as a way to boost business during a normally slow period, but it has proved so popular that Tavern on the Green intends to continue it indefinitely. Merlino says the lunches are bringing in people who had previously perceived the elegant-looking restaurant as being out of their reach.

Lafayette, a French restaurant in the Drake Hotel, has also added a fixed-price $25 lunch Monday through Friday as an alternative to its regular fixed-price lunch for $37.50. Called the "Businessman's Lunch," it consists of an entree, a small green salad, dessert and coffee. Some favorite entree choices are poached shrimp with combavas and lemongrass juice or the rare-roasted squab with foie gras.

"We added the Businessman's Lunch for three reasons," says manager and maitre d' Richard Regner. "People want less food; people are in a hurry, and people want to spend less." There's been a lot of positive response, he said, and business has increased.

Tactics on the West Coast

According to the U.S. Bureau of the Census, the Los Angeles-Long Beach metropolitan area had more eating places in 1987 than did New York City. With competition keener than ever, it is not surprising that the restaurant industry in Southern California is also experiencing a slump, especially in the fine-dining sector.

Experts say there are just too many restaurants in the area. McCarty thinks one of the main reasons for the decline in business is that people no longer want to be bothered with trying all the trendy things. "People and their lifestyles have changed in the past 10 years," he notes. "They're at a different stage in their lives, and they don't have the energy to try all kinds of different things. They have matured in their tastes, and now they're looking for value. It's no longer worthwhile to be just a flash in the pan," he says.

He cut prices at Michael's because he wanted a new customer base. He realized, he said, that the cut would have to be large enough to attract publicity—he needed to get the word out that the profile of his restaurant had changed. "The one-third cut worked fabulously," he said. Whereas before people used to tell him that they heard his restaurant was great but it was so expensive (with emphasis on the expensive), now they tell him, "Your restaurant is great, and I can't wait to go back."

McCarty is also lowering prices at his Adirondacks restaurants in Denver and Washington DC. His new restaurant, Michael's, in New York City, opened with prices comparable to the lower prices at his Michael's in Santa Monica.

Ken Frank, owner/chef at La Toque in West Hollywood, California, does not share McCarty's enthusiasm for lowering prices. He calls it a dangerous strategy because it acknowledges that "you've been charging too much to begin with. Customers will think it's great in the short term. But in the long term they will resent that you got away with it for so long," he says. Frank says business at his restaurant, where the average dinner check is $50 (including wine and dessert), is good—up from last year—although he acknowledges it isn't what it was 10 years ago.

Frank's survival strategy has been to hold the line on prices. He's also added a fixed-price dinner: For $36, customers get an appetizer, a pasta dish and an entree. On one particular evening, for example, the pasta was angel-hair with pesto and the entree was either white fish or grilled duck breast. (La Toque has always had a $55 fixed-price dinner consisting of a choice of six of the best things on the menu. Even though that's expensive by Los Angeles standards, Frank calls the $55 dinner well worth the money—a good value.)

Frank is planning to tear down La Toque and build in its place a new restaurant with a larger kitchen. The food will be the same, the name may or may not be the same—and the prices will be the same.

Tactics elsewhere

The restaurant slump may not be as drastic between the coasts as it is in Southern California and the New York City area, but restaurateurs in other parts of the country are making adjustments, too.

Twenty-One Federal in Washington DC has just lowered its prices by about 15 percent. The average per person check at dinner is now $42 to $46, compared with the previous $55 to $59. Regular menu choices are still available, but the restaurant has added more lower-priced offerings. "We've added soups, risottos, pasta

and light entrees like fricassee of spring vegetables and grilled tuna with artichokes," says manager David Marconi. Twenty-One Federal is also promoting wine by the glass at lunch, and in the evening features a bottled wine at a special price.

The changes were made because, although the restaurant does a capacity business at lunch, it wanted more volume at dinner. Marconi was afraid the restaurant was turning into a special-events destination, with people only coming once every two months—a sign that a restaurant is overpriced, he says.

In Wheeling, Illinois, outside of Chicago, Le Francais has always been one of the most expensive restaurants in the area. New owners Mary Beth and Roland Liccione will continue to keep the high quality of the food and service, but they've lowered prices 20 percent to attract new customers. Entree prices now average $29, compared with $35 under the previous owners, but the portions are smaller. Mary Beth Liccione is also doing a little redecorating to give the restaurant a more informal tone that she hopes will make the customers feel more at ease.

In Atlanta, Capriccio Ristorante plans to lower prices later this year, adjusting its average ticket price to $26 from $42, by giving diners more of a price range from which to choose. The reason for the changes, says Elaine LaMontagne of LaMontagne, Inc., director of public relations, is that there has been a surge of Italian restaurants in the area so competition has become more fierce.

Menu changes haven't been decided yet, but the restaurant is considering adding more dishes like its popular entree of black and white pasta with fresh mussels and shrimp served in a garlic, white wine and tomato herb sauce for $12.95.

Capriccio's decor will also be transformed. The restaurant is breaking down a wall that separates a dining area from a kitchen so that diners can watch fresh pasta and baked goods being made. Also coming down may be its ornate columns, cherubs and statues, to give the restaurant a more informal look.

One promotional tool to attract diners looking for value is dining clubs. The clubs are a sophisticated version of the two-for-one offer, often better suited to fine-dining establishments than coupons. For example, Nicholas, in the Mayflower Hotel in Washington DC, offers membership in the Commodore Club. Members can entertain a guest free 13 times a year. If a member entertains one guest, 50 percent is deducted from the bill; if he or she entertains two guests, 33 percent is deducted, and so forth.

The club is operated by Hotel Mark, a firm based in Hawaii, that sells the memberships by telemarketing to local companies and individuals. Nicholas currently has 1,500 members making use of the restaurant. "There is especially heavy usage at lunchtime. Some companies will buy as many as five membership cards," says Kevin McPhee, the Mayflower's director of food and beverage, who notes that many of the diners are taking advantage of the savings during business lunches. The restaurant has been a part of the Commodore Club for five years; and although McPhee says it is difficult to give exact figures, he reports that over that time there has been a definite increase in sales.

Price of a membership is $80 and also includes two certificates good for $100 off on guest rooms on holidays and weekends and one complimentary night at the hotel on a weekend.

Turning less into more

Lower prices don't necessarily mean lost revenues. Even though prices are lower, increased volume of customers can translate into higher profit, especially when operating costs are also pared. "The labor costs are proportionally lower; it [more casual dining] doesn't require the fine attention to detail or the intensive training for service personnel that fine dining does," says John Dayton, co-owner of the Routh Street Cafe in Dallas.

Simpler food not only takes less time to prepare and serve, it can also mean more turnovers. And simpler food requires less costly ingredients. Restaurants that specialize in nouvelle cuisine are switching to heartier fare and bigger portions. Friedman said his customers were complaining they were still hungry after eating the nouvelle cuisine at Melrose. "Now they see more food on the plate—at less money—as a greater value," he said.

Ultimately, greater value means more repeat business. When the prices are lower, customers will return more often. "We're not just a special-occasion restaurant anymore," says Robert Papke, who manages Adirondacks in Denver. "Since we've lowered our prices, our customers can afford to come monthly." Business at Adirondacks has picked up 35 to 45 percent since the restaurant lowered prices last July.

Doing what's necessary

Fine dining with its corresponding high prices still has a place, restaurateurs agree. But the number of customers who are willing to pay the price is declining. A few upscale establishments will survive without making any changes, but the majority must find additional customers and make the changes necessary to remain competitive. ❑

SERVICE WITH A SMILE— AND A GUARANTEE

Work the kinks out of your operation with a service guarantee and watch profits soar—if your employees have the authority to fix problems on the spot and you look for system—not employee—failures.

by Timothy W. Firnstahl

I operate Jake O'Shaughnessey's, Von's Grand City Cafe, The Kirkland Roaster and The Lake Washington Grillhouse in and around Seattle. And I believe that my restaurants exist for one reason only—to make other people happy. Every time we fail to raise a customer's spirits with good food, gratifying service and a soothing atmosphere, we haven't done our job.

This observation may seem self-evident and trivial, but I have found it to be the very key to growth and profits. And after much trial and error, I have come up with a strategy for ensuring customer satisfaction that has worked wonders in my restaurants and can, I'm convinced, work wonders in other businesses, too.

Service success starts with a guarantee—not that moth-eaten old promise of a cheerful refund—but a guarantee that customers will be satisfied with their whole experience of the company's products and services. It moves on to a system of giving employees complete responsibility and authority for making the guarantee stick. It ends with a process for identifying system failures—the organizational problems that cause customer dissatisfaction.

A strategy is born

My strategy had its origins in the success of Jake O'Shaughnessey's. Jake's,

By welcoming every guarantee payoff—every system-failure expense—as an otherwise lost insight, you can make every problem pay a dividend.

which specializes in steak and features a huge bar, started in 1979. Five years ago, we had three restaurants, $7.5 million in sales and moderate profits. Clearly, many of our customers were satisfied.

But I was bothered by what I saw as an unacceptable level of complaints and by our haphazard responses to them. Not that we didn't try. We happily apologized and gave a free dessert to any customer who complained about slow service, and we cheerfully picked up the cleaning bill when one of our employees spilled the soup. Customers who wrote in to complain about reservations mix-ups or rude service got certificates for complimentary meals.

But our procedures for responding seemed all wrong. Giving out that free dessert required approval from a manager. Getting a suit cleaned meant filling out a form and getting a manager to sign it. I also didn't like the idea that people had to *write* to us with their complaints before we made amends. And I wasn't convinced that a free meal was enough.

Moreover, our response to complaints didn't appear to have any effect on the number or type of complaints we received, most of which concerned speed of service and quality of food. And it wasn't the employees' fault. They knew complaints had top priority, but they didn't know how to respond to them. We were all on a treadmill, getting nowhere.

WAGS—the promise

Then five years ago, when the book *In Search of Excellence* was in vogue, I spent considerable time writing "10 Tenets of Excellence" for our organization. We included them in our training manuals and posted them in the restaurants and the offices. One day about a year later, someone asked me what the sixth tenet was—and I couldn't tell her. It came to me that if I couldn't remember the 10 tenets, surely no one else could either. That meant the company had no strategy known to its employees.

So I hit on something simpler and more compelling—the guarantee. We expressed it as a promise: *We Always Guarantee Satisfaction.* As a company rallying cry, it seemed to work much better than the tenets of excellence, because everyone could understand it, remember it and act on it. For the first time, employees and management had a strategy in common.

We Always Guarantee Satisfaction became our driving force. We included the promise in all our advertising. We printed it on every menu, letterhead and guest check. We reduced it to an acronym—WAGS.

We held a series of meetings, where we found our employees receptive to both the acronym and the simplicity of the idea. Each of our 600 employees signed a contract pledging WAGS follow-through. We created a WAGS logo and put it everywhere—on report forms, on training manuals, on wall signs. We started the *WAGS News* and distributed WAGS pins, shirts, name tags—even underwear. We announced that failure to enforce WAGS would be cause for dismissal.

For a year or so, WAGS dominated the company's consciousness. But as time went by, I grew increasingly uncomfortable. Complaints were coming in at the same old rate. I could see the guarantee being implemented here and there, now and then, but not on a regular, companywide basis. I had run into another brick wall.

Making the promise good on the spot

One evening about two years ago as I was driving home from work, I realized the cause of the problem. The guarantee by itself wasn't enough. We had given employees responsibility without giving them authority. The result was that they tried to bury mistakes or blame others. I saw it every time we tried to track down a complaint. The servers blamed the kitchen staff for late meals. The cooks blamed the servers for placing orders incorrectly.

Problems inevitably crop up in a busy restaurant; and when a customer grumbles, the tendency is to gloss over the complaint with pleasantness. Follow-through means fetching the manager or filling out forms or both. Climbing the ladder of hierarchical approvals is simply too frustrating and time-consuming—for customers as well as employees.

For our guarantee to be truly effective, we needed to give workers themselves the power to make good on the promise of the guarantee—at once and on the spot, thus eliminating the hassle for the customer and for the staff. This meant no forms to fill out, no phone calls to make, no 40 questions to answer—just immediate redress by the closest employee.

So I instituted the idea that employees can and should do anything to keep the customer happy. In the event of an error or a delay, any employee—right down to the busboy—could provide complimentary wine or desserts, or pick up an entire tab if necessary.

Of course, we provided some guidelines. For instance, when guests had to wait more than 10 minutes beyond their reservation time but less than 20, we suggested free drinks. If they waited more than 20 minutes, the entire meal might be free. If the bread arrived more than 5 minutes after the guests were seated, we suggested free clam chowder . . . and so forth, using what we knew to be optimum intervals for most orders.

At the same time, we urged employees not to get bogged down in guidelines. The last thing we want is nitpicking: "OK, I got them the bread

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This kind of problem solving is popular with employees. Since the object of change is always the company, employees don't get blamed for problems beyond their control.

in five minutes exactly. Do I just apologize, or do they get clam chowder?" Satisfaction does not mean quibbling—it means a contented customer, which we define as a customer who is willing to return. Different guests respond in different ways, so we tell our employees not to feel limited by the guidelines and to do whatever it takes to make sure guests enjoy themselves.

In the beginning, employees were wary of their new authority. Never having had complete control, they were naturally hestitant and skeptical. It was hard to convince them they wouldn't be penalized for giving away free food and drinks.

But once they got used to the idea, employees liked knowing that the company believed so strongly in its products and services that it wholeheartedly stood behind its work—and theirs. Preeminence in any field gives people feelings of self-worth they can never get from just making a buck. Their power as company representatives increased their pride in the business, and that, in turn, increased motivation.

Once our employees overcame their skepticism, they quickly grew creative and aggressive in their approach to the guarantee. In one case, a customer wanted a margarita made the way a competitor made it. So our bartender called the bartender at the other restaurant and, bartender-to-bartender, learned the special recipe. In another case, an elderly woman who had not been in our restaurant for years ordered breakfast, which we no longer served. Someone went to the market for bacon and eggs, and we served the breakfast she wanted.

If the guarantee is really working the way it's supposed to, customers become less inhibited about complaining. Too often, customers hold their peace but vote with their feet by taking their business to the competition.

We asked for criticism. Once a month, using reservations lists and credit-card charges, groups of employees called several hundred customers and asked them to rate their experience. "Was the food and service lousy, OK, good, very good, or excellent?" they wanted to know. If the customers said, "OK," that meant "lousy" to us, and they got a letter of apology, a certificate for a free meal and a follow-up phone call.

Aside from the data we gathered, the phone calls were a great promotion. Most people were amazed and delighted that we took the trouble to phone them, and many developed enormous loyalty to our restaurants.

The cost of the promise

Customer complaints are company failures and require immediate correction. So far so good. But corrections cost money. Free drinks and meals add up quickly.

Yet, paradoxically, spending money is the goal. Every dollar paid out to offset customer dissatisfaction is a signal that the company must change in some decisive way. The guarantee brings out a true, hard-dollars picture of company failures and forces us to assume full responsibility for our output. The cost of keeping a company's promises is not just the price tag on the guarantee, it is the cost of system failure. The money is spent because the product did not perform, and when the product fails to perform, the system that produced it is at fault.

A somnolent business can be rudely awakened by the magnitude of its system-failure costs. We certainly were. Our previous guarantee expenses doubled. The problems had always been there, hidden. Only the huge cost of the new strategy revealed that they were gutting profits. Suddenly we had a real incentive to fix the systems that weren't working, since both the alternatives—sacrificing profits permanently or restricting the power to enforce the guarantee—were unacceptable.

Notice that system-failure costs are not the same as employee-failure costs. System-failure costs measure the extent of the confusion in company structure, for which management alone is to blame. By welcoming every guarantee payoff—every system-failure expense—as an otherwise lost insight, you can make every problem pay a dividend. The trick is to reject the band-aid solutions, to insist on finding the ultimate cause of each problem, and then to demand and expect decisive change.

Our search for the culprit in a string of complaints about slow service in one restaurant led first to the kitchen and then to one cook. But pushing the search one step further revealed several unrealistically complex dishes that no one could have prepared swiftly.

In another case, our kitchens were turning out wrong orders at a rate that was costing us thousands of dollars a month in wasted food. The cooks insisted that the servers were punching incorrect orders into the kitchen printout computer. In times past, we might have ended our search right there, accused the servers of sloppiness, and asked everyone to be more careful. But now, adhering to the principle of system failure—not people failure—we looked beyond the symptoms and found a flaw in our training. We had simply never taught servers to double-check their orders on the computer screen, and the system offered no reward for doing so. Mistakes plummeted as soon as we started training people properly and handing out awards each month for the fewest ordering errors and posting lists of the worst offenders (no punishments, just names).

Of course, correcting system failures is seldom an easy task. One way to avoid making problems worse is to audition solutions with small, quick-hit field tests. For example, we experiment with new service procedures at one station in one restaurant, or we offer new menu items as nonmenu specials, or we borrow equipment for a test run before leasing or buying it. When we had a problem with coffee quality, we tried using expensive,

Yet, paradoxically, spending money is the goal. Every dollar paid out to offset customer dissatisfaction is a signal that the company must change in some decisive way.

high-quality vacuum carafes in one restaurant. Quality improved substantially (and waste was cut in half), so we adopted the thermoses in all our restaurants.

In short, honoring the guarantee has led to new training procedures, recipe and menu changes, restaurant redesign, equipment purchases, and whatever else it takes to put things right and keep them right.

This kind of problem solving is popular with employees. Since the object of change is always the company, employees don't get blamed for problems beyond their control.

As you find and correct the ultimate causes of your system failures, you can reasonably expect your profits to improve. But you can begin to tell if you're succeeding even before you see it on the bottom line. Remember, costs will go up before they come down, so high system-failure costs and low phone-survey complaint rates probably mean you're on the right track. Conversely, low system-failure costs and a high rate of "lousies" and "OKs" from customers almost certainly indicate that the promise is not being kept, that your expensive system failures are not getting corrected and that your organization has yet to understand that customer satisfaction is the fundamental reason for your company's existence.

Our own system-failure costs rose to a high of $40,000 a month two years ago and then fell to $10,000 a month. Meanwhile, sales rose 25 percent.

Implementing the strategy

Here are my suggestions for formulating your own ultimate strategy.

1. Make the guarantee simple and easy to understand. For the sake of impact, try to develop a guarantee that's memorable, maybe one that reduces to an acronym. Whatever you do, make it significant, simple and unconditional.

Once you settle on a guarantee, commit to it for the long term. Continual change confuses the public and the organization. Plan to stick with a promise for at least five years.

2. Make sure employees know how to use their authority. For most employees, full power and responsibility to put things right will be a new experience. So it's up to you to make sure they don't underuse their power. In our training programs, we advise new employees to take action before the guest has to ask for a remedy. We don't want to make customers decide whether they're entitled to get something free—most people find that embarrassing. The server should find the solution and present it to the guest as a done deal: "I'm sorry your drink wasn't prepared the way you like it. Of course, there will be no charge for that. And please accept these chowders on the house, with my apologies."

3. Insist that the customer is always right, even when the customer is wrong. Let's say a guest insists that all clam chowder has potatoes. He's wrong, but that's no excuse to make him look stupid. When we say, "The guest is never wrong," we mean a server should never question a guest's judgment and perception. Don't stand and argue about whether a steak is medium-rare or medium. Take it away and get one broiled the way the customer wants it.

4. Reward employees. Good thinking and positive action deserve money, praise, the limelight, advancement and all the other encouragements a company can muster.

We spark employee thought and action by dividing a bonus among the employees of each restaurant and throwing a party once its system-failure costs and phone-audit complaint rates drop to 25 percent of their all-time highs. Every month, we pay hundreds of dollars in awards to employees who have helped to find and cure ultimate causes of system failures. In effect, we commission everyone to improve the organization.

5. Make progress visible. Stay away from written progress reports—graphs communicate better. We display our WAGS graphics throughout the company for everyone to see.

One word of caution

You will never completely perfect your company's system. As long as you offer an absolute guarantee on your products and services, you will incur system-failure costs. There is always more work to do, and a CEO's personal commitment and persistence are often necessary to get it done. But nothing can be done without motivated employees.

Many companies have tried so many different programs and gimmicks that employees have become cynical and indifferent. The people who work for us know we take our guarantee seriously—and that we expect them to do the same. We use the same ultimate strategy to satisfy both our customers and employees. ❑

Four phases of system failure

Start: Employees are wary of using their new power and authority. Phone-audit complaint rates are high and system-failure costs are low.

Underway: Employees begin to believe in the organization's commitment to the guarantee. Phone-audit complaint rates are still high; system-failure costs start to rise.

Mid-point: Employees accept and act on the company promise. System-failure costs remain high. Phone-audit complaint rates start dropping as the company starts satisfying customers.

Success: The company has achieved elemental change and raised itself to a higher level of merit. System-failure costs and phone-audit complaint rates are both low.

In general, there is a roller-coaster effect that tells you when the strategy is working. Costs go up. Complaints go down. Sales go up. Costs go down. Profits go up.

Decisions about operational alternatives are often incorrectly made when managers include irrelevant information from their financial accounting reports.

MANAGEMENT BY RELEVANCE

HOW TO USE ACCOUNTING REPORTS TO MAKE SMART MANAGEMENT DECISIONS

by John C. Shull

Accounting reports are frequently used by operation managers as performance measures and analytical tools. However, most accounting reports include more information than a manager needs in making day-to-day operational decisions. For example, single measures in accounting reports, such as "profit as a percentage of sales," "net income" or "return on investment," are likely to be inappropriate or misleading when used in most decisions.

Differential or relevant analysis—the process of estimating the consequences of alternative actions—is a much more useful approach, because it uses only revenues and costs that will change with respect to the options being considered, such as making versus buying a product, expanding or contracting a menu and venturing into or refraining from new business opportunities.

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For example, when deciding whether or not to hire one additional cashier, the relevant numbers are the incremental increase in cashier wages and benefits paid, coupled with quantified estimates of savings, such as moving guests out of a congested lobby more fluidly and turning over tables more often. A nonrelevant cost that would not be included in the analysis would be the depreciation of equipment, since that cost will not change when one more cashier is hired.

Full-cost fallacy

Decisionmakers using full costs (variable, fixed and semi-variable—see sidebar on page 20 for definitions) often overestimate their costs and reject special orders because they appear to be unprofitable. However, not all costs are relevant. Decisionmakers may also unwisely buy products made by an outside supplier instead of making their own because they incorrectly believe that their cost to produce is higher than the supplier's price.

Figure 1 **Making vs. buying tossed salad**

100 bags of tossed salad		**Per bag**	**Total**
External source price		$3.25	$325
Subtract: Incremental cost to you		-$2.35	-$235
☐ Your ingredient cost	($2.10)		
☐ Extra kitchen labor that would be incurred	($0.25)		
Additional cost per unit by buying on outside		+$0.90	+$90

Example #1: If you are considering buying tossed salad fully prepared from an outside vendor, you would compare the vendor's price to your relevant costs to produce the same product. These costs would be the ingredient costs and any additional kitchen labor.

Assume that fully prepared tossed salad can be purchased from a supplier for $3.25 per bag. Assume that to make the product in-house would cost $2.10 per bag for ingredients and packaging, and five additional hours of labor per week at $5 per hour, including benefits (Figure 1).

This should serve as a starting point for the decision. Other intangible expenses or savings, such as available time to perform other tasks or capacity requirements, should be subjectively weighted and assigned a value.

Be careful not to arbitrarily weight an issue too heavily that may only appear to be meaningful. In this example, you may be concerned about loss of quality control by buying the salad from a supplier; but after inspecting the vendor's facility, you may realize that the vendor has higher and more consistent standards than you can enforce in your own kitchen.

Example #2: Suppose a neighboring business wants to place a special order for 50 luncheon platters and offers $3.75 per platter or $187.50 for the job. You determine that you can prepare the platters in the slow part of the day when your staff is not busy and that no special ingredients or equipment are needed. If you normally price a similar platter at $5.50, and you have a total cost of $4.00, including food, labor and allocated overhead, you may be reluctant to accept the offer. In fact, your assistant manager says, "We can't accept this offer, since it's below our cost. We'll lose money on this job!" However, accepting this offer could be profitable, as the illustration of differential analysis in Figure 2 shows.

By accepting the offer, you would make more per platter than you normally do. Labor cost is excluded from the analysis because you are already paying the staff to be in the kitchen; thus, no incremental labor is needed. The overhead allocated to the platter distorts the cost of making the special order.

Figure 2 **Considering a special order**

Offered price per platter		$3.75
Incremental cost to you		($2.00)
Food cost	($1.65)	
Packaging cost	($0.35)	
Profit per platter by accepting offer		+ $1.75

Example #3: If you decide to close a store that you feel is unprofitable, you must look only at the costs and revenues that are relevant. Assume that one store fewer will not result in any decrease in administrative overhead that is allocated to stores. Figure 3 shows the relevant information and the analysis process.

To say that this store is unprofitable by $25,000 is a correct accounting statement. But to also say that closing that store will allow the company to avoid a $25,000 loss is, as shown in Figure 3, incorrect. Further analysis of this decision would involve any one-time charges, such as asset write-offs, lease cancellations, severance pay or relocation of management.

Subjective, less-tangible costs need to be considered here. Items such as geographic area, strategic focus, staffing and morale concerns should be evaluated and quantified if significant.

Figure 3 **XYZ Company**
differential analysis worksheet
(in 000s)

	Store X	All others	Company total	Company total post close	Net Change
Sales	1,000	25,000	26,000	25,000	(1,000)
Operating expense	800	18,750	19,550	18,750	(800)
Operating income	200	6,250	6,450	6,250	(200)
Other expense	125	3,125	3,250	3,125	(125)
Income before overhead	75	3,125	3,200	3,125	(75)
Allocated overhead	100	2,500	2,600	2,590	(10)
Net income	(25)	625	600	535	(65)

Quick relevant calculation

Store X net income that will go away:	25
Addback: Costs that won't go away—allocated administrative overhead, such as executive salaries, headquarters depreciation*	(90)
Lost profits by closing store X	(65)

**Note: Allocated administrative costs that will go away include travel, long distance calls, etc.*

Example #4: Conversely, if you are contemplating opening up a new store and are evaluating a pro forma statement, only relevant revenues and costs should be considered in the assessment. If administrative overhead will not increase with the new store, then the store's operating earnings are incremental.

Overhead should not enter into the decision, since any overhead allocated to the new store will come directly from other stores—thus improving their individual net incomes. The relevant information is the incremental operating profit that the new store will provide.

While it is true that in the long term every store's profit needs to more than cover administrative overhead to make the parent profitable, a new store does not need to cover its share of administrative overhead to be profitable. This is not intended to encourage short-term thinking, merely to clarify and expose the misuse of nonrelevant information in decisionmaking.

Allocated overhead is a case in point. By virtue of the word "allocated," there is an admission that the amount charged is only an approximation. Operation managers often mistakenly believe the number is an exact calculation of how much overhead they consume. Strategic managers may also view this as a variable number—close the unit and the cost will go away. It is, in fact, an arbitrary number where common administrative costs are allocated on the basis of (usually) very simplistic assumptions.

Many companies do not even allocate overhead to individual units. If overhead is allocated, the decisionmaker should be aware of how it was calculated. There are many ways overhead can be allocated, such as divided equally among all stores or as a flat percentage-of-sales charge for each store. Each method can result in a different "bottom line" for a particular store.

In the XYZ Company example in Figure 3, assume that a different method of allocating overhead resulted in net loss of $50,000 instead of $25,000 for Store X (overhead shifted from the "all others" column). It may have appeared that the store was even more unprofitable; however, the net effect on the corporation would have been the same. As shown in the example, the allocation method is not important, since any decision must consider only the portions of overhead that will change because of the decision. Obviously, placing too much weight on the net income number after an allocation of overhead can be very misleading.

Understanding costs

A full-product cost includes all costs related to making the product, specifically variable costs, semi-variable costs, semi-fixed costs and fixed costs.

Variable expense changes in direct proportion to the volume of guests or units sold. Very few costs are purely variable. *A semi-variable expense* is variable over some minimum base level of activity. An example of a semi-variable cost would be the cost of labor, since some staff must be present, regardless of anticipated volume.

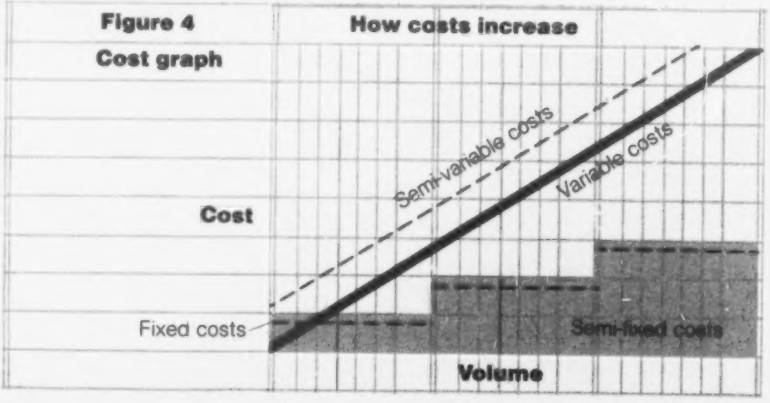
A fixed expense does not change as volume of guests or number of meals served changes. As with variable expenses, few costs are purely fixed over all levels of volume. *Semi-fixed expenses* occur in plateaus where the costs are fixed for a given range of volume but must be increased when that range is exceeded (Figure 4).

An additional term that you should be aware of when applying differential analysis is *sunk cost*. A sunk cost is a cost that has already been incurred and is not a differential when it comes to holding versus selling merchandise. An example might be baked products near their expiration date. Because the money has already been spent for ingredients and labor, these costs are sunk or not retrievable. The decision whether to discount unsold baked products below cost (i.e., for sale to employees) should only consider the greatest amount of revenue that can be recovered. The costs of the goods is irrelevant, since the ingredients have already been paid for and no future decision can affect that.

If you believe that you will lose money selling the goods below cost and do not mark them down, then you will probably not sell many of the goods, and your revenue will be minimal. If you discount the price (perhaps below your total cost), you will most likely receive some revenue. The amount of the discount will depend on how much product has to be disposed of and how long you have to dispose of it. The goal is to maximize the amount of revenue with no regard to the sunk costs.

Figure 4 How costs increase

Cost graph



No report provides all the answers

There is no way to create a financial report that will provide the answer to every possible course of action and to every person. Some costs that are not relevant within a given range of volume may become relevant if that ceiling or range is surpassed.

For that reason, proper analysis of alternatives only starts with the financial reports. The most effective way to analyze alternatives is to examine what will change if one direction is chosen over the other.

This procedure may only confirm what your intuition already told you, or it may bring to the surface some issues you had not considered. Whatever the outcome, it is a logical and rational way to make decisions. ❑

AT THE 1990 SHOW

From beginning to end, the Annual National Restaurant Association Show is the best that the foodservice industry has to offer. Here's a preview of the menu for the 71st National Restaurant Association Restaurant, Hotel-Motel Show.

NATIONAL RESTAURANT ASSOCIATION **1990**

YOUR KEY TO THE SHOW

It may look like just another credit card, but don't be fooled—this is your key to the Show. In a departure from past practices, membership cards will no longer suffice to attend this year's Show. Although members will still be admitted to the Show at no charge, they will have to register for admission in advance and then produce this card for entry.

GRAND OPENING OF LOBBY LEVEL AT McCORMICK PLACE NORTH

They said it couldn't get bigger or better, but once again the Show will break new ground this year. With the May 1990 premiere of the lobby level of the McCormick Place North Exhibit Hall, the National Restaurant Association Restaurant, Hotel-Motel Show will gain additional floor space for hundreds of exhibits and countless new products and services.

Special festivities each day of the Show will commemorate this newest exhibit hall and will include contests and prizes.

Among the exhibition highlights will be:

□ *A "must see" seafood center, for industry members who specialize in fish or seafood.* Suppliers of fish and seafood will display their products from both coasts and around the country. Come see the variety of seafood available in the United States—crab, shrimp, lobster and species peculiar to certain regions. The Seafood Center is endorsed by the National Fish and Seafood Promotion Council.

□ *A 10,000-square-foot wineries section, showcasing scores of domestic and international wines,* as well as a wine publisher and companies expert in the design and building of wine cellars.

□ *The Third Annual Ice Carving Classic, developed in cooperation with the National Ice Carving Association.* Teams of professional ice carvers will participate in this ice-sculpture contest and some of the nation's leading ice carvers will present how-to sessions.

□ *The Illinois Pavilion, a "Show within a Show" and an important stop for Chicago-area restaurateurs.* Be among the first to see the products and services of companies looking to break into or expand in Chicago.

More than 100,000 foodservice professionals from all corners of the hospitality field flock to the annual National Restaurant Association Show to renew themselves and their operations. They come to discover new products and services among the many, many exhibit aisles; to soak up new ideas and management practices; and to brainstorm with their peers from other parts of the country and around the world about new trends, challenges and solutions cropping up elsewhere.

□ New Show admission card
□ New exhibit hall
□ First cake competition
□ Final tryouts for 1992 U.S. Culinary Team
□ Third Annual Ice Carving Classic

Plus
□ Hard Rock Cafe owner Peter Morton
□ Author Nora Ephron
□ Columnist Jack Anderson
□ Entertainer Dinah Shore
and much, much more . . .

SCUPTURES AWAKEN FROM FROZEN SLEEP

It's better than a magic act—master ice carvers awakening crystal sculptures from their frozen sleep at the Ice Carving Classic.

A popular feature of the past two Shows, the classic, cosponsored by the National Ice Carving Association (NICA), will feature world-class carvers from Australia, Canada, Japan, Mexico and Singapore matching muscle and imagination against four U.S. teams. (Each U.S. team comes to the classic as a winner of a regional "classic qualifier.") Sunday through Tuesday, May 20–22, four three-person teams of expert carvers will compete simultaneously, working on stages in a specially designed area of McCormick Place North.

A series of ice-carving demonstrations will be held adjacent to the competition stages. Ice carvers will discuss the fundamentals of ice carving as well as up-and-coming techniques, concepts and designs.

PRESIDENT RUSITZKY OPENS SHOW

Association president Harris H. "Bud" Rusitzky will set the tone for the 71st National Restaurant Association Restaurant, Hotel-Motel Show with a warm welcome to Show attendees and an insightful look at his year in office. Sharing the spotlight with Rusitzky at the Arie Crown Theater of McCormick Place East on Sunday, May 20, at 2 p.m., will be Jack Anderson.

WATCH CULINARY HISTORY IN THE MAKING

At the prestigious hot-food competition, a panel of blue-ribbon judges will select a total of 25 winners (four chefs and a pastry chef for the national team, and four chefs and a pastry chef for each of four regional teams representing the northeastern, southeastern, central and western areas of the United States).

FINAL TRYOUTS FOR 1992 CULINARY TEAM USA

Come and watch culinary history in the making at the prestigious hot-food competition, the last and most difficult part of the selection process for membership on the 1992 Culinary Team USA. This corps of expert chefs will carry the standard for American foodservice against chefs from 30 other nations at the International Culinary Competition or "culinary olympics" in Frankfurt, Germany, in 1992.

It's competition at its finest, and it will all be happening on the upper level of McCormick Place North, Saturday through Tuesday, May 19 through May 22.

Each day will feature chefs from a different region of the country. Each of these regional finalists will receive a mystery box of ingredients and be given 30 minutes to plan 20 portions of at least a four-course meal (or 20 portions of three desserts for pastry chefs) and then five hours to execute the task.

Work will be evaluated for presentation, taste and product utilization. Contestants will be judged on a 40-point system of international guidelines adopted by the World Association of Cooks Society.

The 1992 Culinary Team USA is presided over by the National Restaurant Association/American Culinary Federation (ACF) U.S. Culinary Team Foundation. Sponsors are Kraft Foodservice, L.J. Minor Corp., Robert Mondavi Winery, Procter & Gamble Co., Tyson Foods, Inc., and Uncle Ben's Rice.

"THE MAIN COURSE" 10-K RACE: A DECADE OLD AND STILL RUNNING

It's 10 years old and still gaining speed—"The Main Course" 10-K Race. The Main Course is the most popular off-the-floor sporting event at the Show and the largest 10-K race in the city of Chicago. More than 3,000 runners are expected to converge on the Grant Park starting point on Sunday, May 20, at 8 a.m.

"The Main Course" is open to attendees, exhibitors and the public. In addition to male and female age-group categories for individual contestants, there is a category for teams (a minimum of five runners, with at least one female and one master over 40 years of age), an open class for Chicago-area runners, a Show exhibitor/attendee class, and a corporate class. Awards will be given to the first-place male and female finishers and to the top three men and women in individual categories. First, second and third-place teams will receive plaques. All runners will be judged in accordance with the cross-country scoring method.

The fee to participate in "The Main Course" is $8.95. For race applications, contact National Restaurant Association Convention headquarters, 150 N. Michigan Ave., Suite 2000, Chicago, IL 60601; (312) 853-2525.

Major sponsors for "The Main Course" 10-K Race are Coca-Cola USA, Miller Brewing Co. (Miller Lite), Pepsi-Cola, Co., and Tyson Foods, Inc. Supporting sponsors are Anheuser-Busch, Inc. (Bud Light), Dole Fresh Fruit, Eli's Chicago's Finest Inc., General Foods Foodservice Division, Lender's Bagels, Minute Maid Food Service Group, Veryfine Products, Inc., and Vie de France Corp.

CAKE COMPETITION AT CULINARY ARTS SALON

Bakers take note: The 20th Annual Culinary Arts Salon at this year's Show will feature a special anniversary cake competition.

This special anniversary cake competition will allow chefs—for the first time—to enter as little as one piece in the Culinary Arts Salon.

Contestants can enter the anniversary cake competition in one of four categories: out-of-town, professional; out-of-town, student/apprentice; Best-of-Chicago, professional; and Best-of-Chicago, student/apprentice.

Special rules govern the cake competition. The cake must commemorate the 20th anniversary of the Salon, the base must be 30 inches by 30 inches or less, and the icing must be edible. A "most original" award and first, second and third-place winners will be cited for each category.

PRIZES FOR MAIN COURSE PARTICIPANTS

Runners who cross the finish line are eligible for the "You-Don't-Have-to-Win-to-Win" array of prizes. The random drawings include round-trip airfare and hotel accommodations for two on United Airlines to anywhere in the United States (including Alaska and Hawaii), plus dinner and weekend packages at top Chicagoland restaurants and hotels. All race participants receive colorful "Main Course" T-shirts and running gear contributed by the race sponsors.

DELIGHT YOUR EYES AND IMAGINATION

Always a delightful sight for even the trained foodservice professional's eye, the Culinary Arts Salon again offers Show attendees a look at the state-of-the-art trends in food preparation. See row on row of intricately arranged cold-food presentations, whimsical pastry creations and lifelike culinary figurines.

It's an aesthetic experience not to be missed, Saturday through Tuesday, May 19–22. And it's set off to perfection in McCormick Place East's Chicago Room, with its spectacular view of Lake Michigan and the city's skyline.

1990 NATIONAL RESTAURANT ASSOCIATION SHOW SCHEDULE

Come to the National Restaurant Association booth

If you want to learn more about the National Restaurant Association, come to the National Restaurant Association booth. The departments represented will include communications, government relations, PAC, human resources, technical services, research and information service, group insurance and the educational foundation.

The booth will offer a wide selection of association publications, manuals, periodicals and training materials for sale, including educational videos and instructional programs.

On Monday and Tuesday, Claire Regan, R.D., will demonstrate the association's nutrient-analysis service. Bring a recipe, and she will analyze it for nutritional content.

All association members who stop by booth 3004 can enter a special drawing for a six-day/five-night vacation for two at Marriott's Grand Hotel, the queen of southern resorts on Alabama's gulf coast. Steeped in 140 years of history, this year-round resort blends the gracious hospitality and scenic beauty of the Old South with conveniences and activities tailored for today, including two 18-hole golf courses. Airfare for this terrific getaway has been provided by Delta Airlines.

Restaurant operators who join the association during the Show will be eligible for a special drawing featuring computer management software donated by ReMACS.

The association's educational foundation will be unveiling two new programs: a comprehensive sanitation program called ServSafe and the Management Development Diploma Program. Members who come by the booth can also register for a promotion, which includes video packages as prizes.

So come to the association booth and learn more about the organization. You may even win a great prize!

SATURDAY, MAY 19

9:00 a.m.
Registration and check-in for the pre-Show seminars, presented by the Educational Foundation of the National Restaurant Association; McCormick Place North, lower level

9:30 a.m.–3:30 p.m.
1992 Culinary Team USA tryouts, McCormick Place North, main level, first of four days; continues on May 20, 21 and 22

9:30 a.m.–5:30 p.m.
- ☐ Dealer/supplier press preview of exposition, McCormick Place
- ☐ 20th Annual Culinary Arts Salon, McCormick Place East, Chicago Room, first of four days; continues on May 20, 21 and 22

10:00 a.m.–5:30 p.m.
Full-day pre-Show seminars
- ☐ Applied Foodservice Sanitation Certification Workshop (two-day seminar runs from 10:00 a.m.–6:30 p.m. and continues on Sunday, May 20)
- ☐ Dining-Room Management
- ☐ Food-Cost Management
- ☐ Franchising for Growth
- ☐ Healthy Profits through Nutrition
- ☐ Perfecting Your Culinary Skills
- ☐ Profitability
- ☐ Successful Buffet Management
- ☐ Takeout Deliv-ers Profits

10:00 a.m.–1:30 p.m.
Half-day pre-Show seminars
- ☐ Kitchen Management
- ☐ Promoting Your Restaurant

11:30 a.m.
34th Annual Hennessy Awards Luncheon, Hyatt Regency Chicago *(ticketed event)*

2:00–5:30 p.m.
Half-day pre-Show seminars
- ☐ Customer Service
- ☐ The Labor Issue: Hiring, Training and Retaining

6:30 p.m.
The Grand Banquet and Show/Congressional Leadership Forum Gala, Hyatt Regency Chicago, in honor of the National Restaurant Association's new chairman of the board and president. With singer and TV hostess Dinah Shore and the 25-piece Dick Judson Orchestra *(ticketed event)*

SUNDAY, MAY 20

8:00 a.m.
The start of "The Main Course" 10-K race, Grant Park

9:00 a.m.
Registration and check-in for the pre-Show seminars, presented by the Educational Foundation of the National Restaurant Association, McCormick Place North, lower level

10:00 a.m.–5:30 p.m.
Full-day pre-Show seminars
- ☐ Applied Foodservice Sanitation Certification Workshop (one-day program)
- ☐ Banquet Management
- ☐ Food-Cost Management
- ☐ Kitchen Management
- ☐ Profitability

10:00 a.m.–1:30 p.m.
Half-day pre-Show seminars
- ☐ Dining-Room Management
- ☐ Franchising for Growth
- ☐ Healthy Profits through Nutrition
- ☐ Promoting Your Restaurant
- ☐ Takeout Deliv-ers Profits

10:30 a.m.–6:00 p.m.
Exposition opens, McCormick Place

10:30 a.m.
Award ceremonies for the 20th Annual Culinary Arts Salon, McCormick Place East, Jane Addams Room

10:30 a.m.–3:30 p.m.
1992 Culinary Team USA tryouts, McCormick Place North, main level, second of four days; continues on May 21 and 22

10:30 a.m.–6:00 p.m.
- ☐ Third Annual Ice Carving Classic, McCormick Place North, lobby level, first of three days; continues on May 21 and 22
- ☐ 20th Annual Culinary Arts Salon, McCormick Place East, Chicago Room, second of four days; continues on May 21 and 22

11:00 a.m.
"Ice ribbon" cutting ceremonies for the Third Annual Ice Carving Classic, McCormick Place North, lobby level

1:30 p.m.
Special musical warmup for Opening Day Ceremony by The Letterman, Arie Crown Theater, McCormick Place East

2:00 p.m.
Opening Day Ceremony, Arie Crown Theater, McCormick Place East, with a welcoming address by National Restaurant Association Chairman of the Board and President Harris H. "Bud" Rusitzky. He will share the podium with nationally syndicated columnist Jack Anderson

9:00 p.m.–1:00 a.m.
Convention Capers, featuring Charlie Rich, the legendary "Silver Fox," and Chicago's own Joel Daly and the Sundowners, Hyatt Regency Chicago

MONDAY, MAY 21

9:00 a.m.–5:30 p.m.
Exposition opens, McCormick Place

9:30 a.m.–3:30 p.m.
1992 Culinary Team USA tryouts, McCormick Place North, main level, third of four days; continues May 22

9:30 a.m.–5:30 p.m.
- ☐ Third Annual Ice Carving Classic, McCormick Place North, lobby level, second of three days; continues May 22
- ☐ 20th Annual Culinary Arts Salon, McCormick Place East, Chicago Room, third of four days; continues May 22

10:00–11:30 a.m. Theater Series, McCormick Place East
- ☐ Nora Ephron, author, screenwriter and essayist, Theater 1
- ☐ The Achievement Challenge, Theater 2
- ☐ Big Promotions, Theater 3

Management Clinics, McCormick Place East
- ☐ Foods and Menus
- ☐ Club Managers' Shop Talk
- ☐ Group Grabbers

Noon–1:30 p.m. Theater Series, McCormick Place East
- ☐ The Four Dimensions of a More Productive and Profitable Restaurant, Theater 1
- ☐ Updating Your Reward System, Theater 2
- ☐ Putting Women in Their Place . . . in the '90s, Theater 3

Management Clinics, McCormick Place East
- ☐ Crimes against Customers
- ☐ Head 'em Up—Keep 'em In

2:00–3:30 p.m. Theater Series, McCormick Place East
- ☐ Success in the 1990s, Theater 1
- ☐ Names and Faces, Theater 2

Management Clinics, McCormick Place East
- ☐ How to Attract, Select and Retain Hospitality Employees in the '90s
- ☐ Lights, Camera, Service!

9:00 p.m.–1:00 a.m.
Convention Capers, featuring The Turtles with Flo and Eddie, Chicago Marriott

TUESDAY, MAY 22

9:00 a.m.–4:00 p.m.
Salute to Excellence Student Forum—200 outstanding students talk with successful industry professionals, Chicago Hilton & Towers

9:30 a.m.–5:30 p.m.
Exposition opens, McCormick Place

9:30 a.m.–3:30 p.m.
1992 Culinary Team USA tryouts, McCormick Place North, main level, last day

9:30 a.m.–5:30 p.m.
- ☐ Third Annual Ice Carving Classic, McCormick Place North, lobby level, last day
- ☐ 20th Annual Culinary Arts Salon, McCormick Place East, Chicago Room, last day

10:00–11:30 a.m. Theater Series, McCormick Place East
- ☐ Customer-Satisfaction Breakthrough, Theater 1
- ☐ Save the Planet, Theater 2
- ☐ Fred Pryor—The Energetic Manager, Theater 3

Management Clinics, McCormick Place East
- ☐ The Spirit of Service
- ☐ Solving People Problems through Effective Intervention
- ☐ Business and Industry Shop Talk

Noon–1:30 p.m. Theater Series, McCormick Place East
- ☐ A Celebration of Abilities, Theater 1
- ☐ The Abilene Paradox: The Management of Agreement, Theater 2
- ☐ Fred Pryor—How to Be the D.I.R.E.C.T.O.R. in Your Life, Theater 3

Management Clinics, McCormick Place East
- ☐ Training for the Hospitality Industry
- ☐ The Psychology of Color
- ☐ Restaurant for Sale . . . by Customer Decree

2:00–3:30 p.m. Theater Series, McCormick Place East
- ☐ Coach Bob Knight, Theater 1
- ☐ Bar Wars, Theater 3

Management Clinics, McCormick Place East
- ☐ Good, Better, Best
- ☐ Threats and Opportunities from the Bottom Looking Up

7:00 p.m.
Salute to Excellence Reception and Dinner, Chicago Hilton & Towers *(ticketed event)*

WEDNESDAY, MAY 23

9:30 a.m.–2:00 p.m.
Exposition opens, McCormick Place

10:30 a.m.–Noon Management Clinic, McCormick Place East
- ☐ How to Make More Money in the '90s

A MORNING WITH NORA EPHRON

If you laughed over her wry treatment of the lovers in the smash-hit movie "When Harry Met Sally," and cried over her autobiographical best-selling novel *Heartburn*, you are sure to cheer her special presentation at the Show. Nora Ephron, author, screenwriter and essayist extraordinaire, will be in action at McCormick Place East on Monday, May 21.

SOMEONE'S IN THE KITCHEN WITH DINAH

A household name for decades, Dinah Shore, of such popular shows as the "Dinah Shore Show," "Dinah's Place" and "Dinah," will be the special guest at the Grand Banquet and Show/CLF Gala.

OPENING DAY GUEST: JACK ANDERSON

Jack Anderson, one of the nation's most widely read and trusted journalists, will be the opening-day special guest speaker. Read by 50 million people every day, this Pulitzer-Prize-winning journalist pens *Washington Merry Go Round*, hosts "American Expose" and "The Outsiders," delivers daily commentary on the UPI radio network and prepares investigative commentary for "Inside Edition."

To see this journalistic legend, come to the Arie Crown Theater on Sunday, May 20, at 2 p.m.

SOMMELIER COURSES AT SHOW

The chairman and secretary of the British Court of Master Sommeliers and three master sommeliers from the United States will be in Chicago during the Show to conduct two courses and examinations; they represent the first two levels leading to the Master Sommelier designation. The *Sommelier Certificate Course and Examination* will be held on Sunday and Monday, May 20–21. The *Advanced Sommelier Certificate Course and Examination* will be held on Tuesday and Wednesday, May 22–23. The cost of the certificate course is $275; the cost of the advanced certificate course is $450. To register, call (312) 853-2525.

THE EDUCATIONAL LINEUP

For many attendees, the Theater Series and Management Clinic programs are as valuable as the time spent on the floor. The Theater Series offers operators and other foodservice professionals an unprecedented opportunity to learn from some of the best minds in the country on topics like motivation, training and success. Management Clinic sessions offer attendees a forum for surveying emerging trends and challenges and provide an opportunity for attendees to learn from their peers.

Here's a preview of the education lineup at the 71st annual National Restaurant Association Restaurant, Hotel-Motel Show:

Theater Series

□ *Nora Ephron*, author, screenwriter and essayist, dispenses her special brand of wit and wisdom in an exciting morning presentation.

□ *Names and Faces*. Jerry Lucas, an impressive memory expert, teaches attendees how to tap into the marvelous gift of memory. A former Olympic gold medalist, Lucas has also risen to the top of his new profession—memory education. He is co-author of *The Memory Book*, which spent 50 weeks on the national best-seller list.

□ *A Celebration of Abilities*. Speaking about the strengths and special talents of individuals with disabilities will be Geri Jewell, known to millions as "Cousin Geri" of the NBC sitcom "The Facts of Life." Jewell, actress, comedienne, lecturer and motivational speaker, is famous for her ability to bridge the worlds of humor and attitudinal change. Show attendees will draw inspiration and insight from her ability to see her cerebral palsy as a strength rather than a weakness.

□ *Save the Planet*. Peter Morton, the dynamic owner of 12 Hard Rock Cafes in the United States and Australia, will discuss recycling and other environmentally responsible techniques that can be instituted in restaurants nationwide. Morton concentrates on inexpensive, money-saving and socially responsible activities that can help put restaurants in the forefront of accountable business leadership in the '90s.

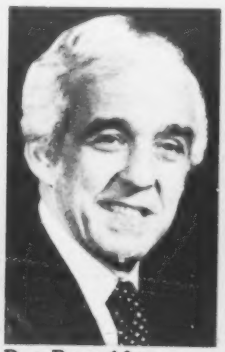
□ *The Abilene Paradox: The Management of Agreement*. Are we hamstrung by our inability to cope with the fact that we agree with one another? Learn the answer to this and other communication problems from Dr. Jerry B. Harvey, a Ph.D. in social psychology and professor of management science at George Washington University in Washington DC.

□ *The Achievement Challenge*. This promises to be a riveting presentation by Don Beveridge, one of the country's leading motivational speakers and author of *The Achievement Challenge*. Beveridge is a successful entrepreneur with two businesses, the host of a nationally syndicated radio show for business executives and a former consultant for General Motors, Continental Grain and other Fortune 500 companies.

□ *The Four Dimensions of a More Productive and Profitable Restaurant*. Dave Yoho, an international consultant to Fortune 500 companies, entrepreneurs and independent and chain restaurants, will discuss his management theory based on EPOD—enthusiasm, persuasion, optimism and discipline.

Jerry Lucas

Geri Jewell



Don Beveridge

Dave Yoho

Peter Morton

Dr. Dru Scott

Fred Pryor

Bob Knight

Yoho is a recipient of the Cavett Award, the Oscar of public speaking.

□ *Putting Women in Their Place . . . in the '90s.* A definite "must-attend" for career-minded foodservice women, this panel of successful industry executives will discuss how women can progress in the corporate world of foodservice and overcome hidden barriers to advancement. Presenters will include Jackie Trujillo, president-operations, Harman Management (KFC); Betty Brennan Baker, vice president, training and development, Ground Round; and Patricia Harris, director, Changing Workforce, McDonald's Corp.

□ *Bar Wars.* Brian F. Rea, a 30-year veteran in bar and lounge operations, will discuss ways operators who serve alcoholic beverages can be both profitable and socially responsible.

□ *Big Promotions.* Hear how some of the industry's most successful operators have fun promoting their operations. Panelists include Bob Morris, proprietor of Morfood 'N Fun, and Stan Clark, owner of Eskimo Joe's in Stillwater, Oklahoma.

□ *Success in the 1990s.* Learn the key to success for both large and small operations from a man who typifies success, Herman Cain, president and chief executive officer of Godfather's Pizza. Cain engineered the remarkable turnaround of Godfather's in 1986 and led the management team that assumed ownership when the chain was offered for sale. Cain will discuss a new paradigm for the '90s.

□ *Customer-Satisfaction Breakthrough.* Dr. Dru Scott, psychologist, author, trainer and authority on customer satisfaction, will return to the Show for the third time. Drawing on her pioneering research in consumer satisfaction, Scott will reveal practical techniques for building profits by going beyond the typical "smile more" strategies. Attendees will learn about her dirty-word list, the two biggest impediments to customer satisfaction and the three things that top operators always do.

□ *Updating Your Reward System.* Are you getting the most for your payroll dollar? If not, don't miss this informative session with Dr. Scott Myers, expert on motivation and organizational teamwork and author of numerous books and articles including the classic, *Every Employee a Manager.* Myers describes 15 reward systems and highlights those best able to motivate individual behavior, inspire teamwork and create a climate that promotes commitment.

□ *Fred Pryor Times Two.* This special two-part program will be presented by Fred Pryor, who combines his knowledge of the business marketplace with his advanced study in theology, psychology and counseling. The first 90 minutes, based on his book *The Energetic Manager,* will explain how workers, leaders and organizations can access untapped energy. The second segment, "How to Be the D.I.R.E.C.T.O.R. in Your Life," draws on his expertise in the area of leadership. Using the acronym DIRECTOR, Pryor shows attendees how to take charge of their lives.

□ *Coach Bob Knight.* Who knows more about winning and playing to your full potential than Bob Knight, head basketball coach at Indiana University? In his 25 years of coaching at the collegiate level, Knight has proven himself to be one of the finest basketball coaches in America. The second-youngest coach to win more than 500 games, he has had three national championship teams. His teams won the gold medal in the Pan-American Games in 1979 and at the Olympics in Los Angeles in 1984.

Management Clinics

□ *How to Attract, Select and Retain Hospitality Employees in the '90s.* With 2½ million new industry jobs expected in this decade and 1½ million fewer teens, operators need to think in new ways about the workforce. Jim Moffa presents new ideas for recruiting, selecting and retaining employees in the '90s.

□ *The Spirit of Service.* Diana Cox-Pratt, a training specialist in the restaurant industry for more than 20 years, will discuss the importance of personal relationships in the workplace. Cox-Pratt will show that by caring for the customer and respecting fellow workers, employees can generate both job satisfaction and profits for their employers.

□ *How to Make More Money in the '90s.* Ron Plummer, well-known promotion specialist, will suggest ways to woo the new customers of the '90s, including the "over-55" crowd.

□ *Crimes against Customers.* Hospitality operators have a legal duty to protect customers from injury-causing hazards, but does this extend to criminals from off the street and to patrons who attack other patrons? Robert Alan Palmer, professor at Cal-Poly's Center for Hospitality Management, will discuss evolving legal obligations.

□ *Training for the Hospitality Industry.* Dr. Lewis C. Forrest, longtime hospitality training designer and author of the book *Training for the Hospitality Industry,* will explain the basics of successful training, and will provide techniques for developing skills and setting communications

Dr. Lewis C. Forrest

Diana Cox-Pratt

standards that get top performance from every employee.

□ *The Psychology of Color.* Leatrice Eiseman of the Pantone Color Institute will explore the psychological meaning of colors. Attendees will learn how to conceptualize, design and revitalize their restaurant furnishings, tableware and menus.

□ *Threats and Opportunities from the Bottom Looking Up.* Foodserver-turned-author Mario Ponce—currently a senior in the hospitality management department of the University of Central Florida—brings a fresh and practical approach to the challenges facing the foodservice industry.

□ *Club Managers' Shop Talk.* A panel of club managers will lead an idea exchange of "what's new and next" in the world of club management. The Club Managers Association of America will grant education points toward certification for managers participating in the clinic.

□ *Restaurant for Sale . . . by Customer Decree.* Veteran hospitality industry trainer Abe Egert will teach attendees to recognize 10 major danger signs that can cause their businesses to be sold out from under them. A specialized self-evaluating survey will help each participant evaluate his or her own business.

□ *Lights, Camera, Service!* Jim Sullivan, training director for Premier Ventures in Denver, will discuss and demonstrate cost-effective and results-oriented training videos that operators can produce themselves. He will focus on content and skills training.

□ *Foods and Menus.* Food is the challenge of the '90s; the menu is the key to profitability. Using case studies and drawing on 25 years of hands-on experience, Phyllis Ann Marshall will demonstrate ways to revitalize a menu.

□ *Solving People-Problems through Effective Intervention.* Carlo Cetti, director of management and franchise training for Foodmaker, will provide an approach for more effectively dealing with complex problems. Operators will practice on an actual problem and learn to apply this concept to their organizations.

□ *Good, Better, Best.* Kathryn Ryan, director of training for Bakers Square Restaurants, will show multi-unit operators how to create a unit-evaluation system to distinguish superior operations from merely good ones. Ryan will discuss how to assemble information sources, implement the program and measure results.

□ *Head 'em Up—Keep 'em In.* Minimum-wage laws, shrinking labor pools and changing values are making it harder to retain qualified hourly employees. Mary Pat Black, director of training and management development for Dallas-based El Chico, will discuss management techniques, programs and activities that motivate employees and keep them on the payroll.

□ *Group Grabbers.* Paul Stroup, manager of Executive Development at Las Vegas' Harrah's Casinos, will use audience-participation exercises to outline his ideas on getting acquainted, creative problem solving, values identification, guest services, team building and goal setting. Attendees will leave with training notes that enable them to conduct these exercises among their own staffs.

□ *Business and Industry Shop Talk.* A panel of outstanding operators will explain how they are coping—and will continue to cope—in the competitive environment of the 1990s.

A STELLAR SALUTE TO EXCELLENCE

The Educational Foundation of the National Restaurant Association will host its fourth annual Salute to Excellence Reception and Dinner at the Chicago Hilton & Towers on Tuesday, May 22, at 7 p.m. One thousand industry leaders are expected to turn out for this prestigious invitation-only event, with veteran TV and radio celebrity Art Linkletter as master of ceremonies.

The Annual Salute to Excellence Reception and Dinner pays homage to industry leaders for their contribution to the advancement of professionalism through education. Honored at this year's banquet will be the following six new inductees into the foundation's College of Diplomates: Henry J. Cockerill, former senior vice president and director–national chain accounts, Coca-Cola USA, Atlanta, Georgia; Lt. Gen. John D. McLaughlin, USA (Ret.), president, L.J. Minor International, Solon, Ohio; Morris J.W. Gaebe, chancellor, Johnson and Wales University, Providence, Rhode Island; Ferdinand Metz, president, Culi-

1990 HENNESSY WINNER HONORED AT LUNCHEON

Air Force top brass and foodservice leaders will be on hand to honor the winners of the 1990 Air Force Hennessy Awards at the 34th Annual Hennessy Awards Luncheon at the Hyatt Regency Chicago, Saturday, May 19, at 11:30 a.m.

Keynote speaker at the luncheon will be Lieutenant General Henry Viccellio, Jr., deputy chief of staff of logistics and engineering, USAF.

Tickets for the Hennessy Awards Luncheon are $40 and may be purchased through Mary Garnett, National Restaurant Association, 1200 Seventeenth St., N.W., Washington DC 20036; (202) 331-5966.

FORUM TO HONOR LEADERS

In keeping with its commitment to further excellence in foodservice, the Educational Foundation of the National Restaurant Association will honor the leaders of tomorrow during a day-long student forum at the Chicago Hilton & Towers on Tuesday, May 22, from 9 a.m. to 4 p.m.

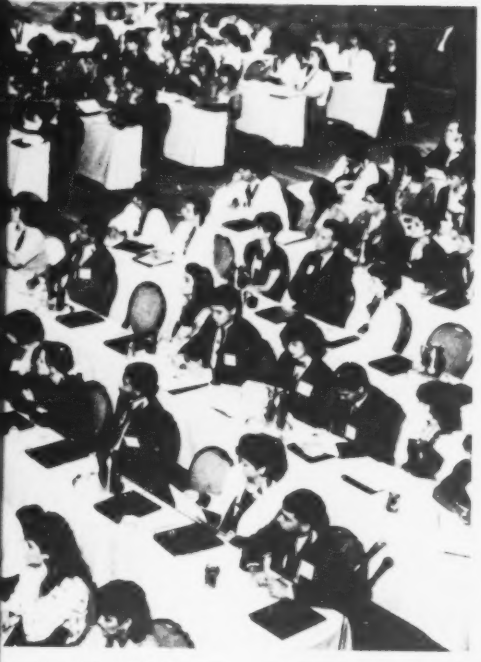
Attending the forum will be 200 culinary and HR&I students, chosen by deans and directors as the best in their programs.

nary Institute of America, Hyde Park, New York; Joseph H. Baum, president, Joseph Baum and Michael Whiteman Co., New York, New York; and John W. Teets, chairman, president and chief executive officer, The Greyhound Corporation, Phoenix, Arizona.

The climax of the evening's festivities will be the naming of the winner of the Thad A. Eure, Jr., Ambassador of Hospitality Award, presented annually to a member of the College of Diplomates.

Also announced at the Salute to Excellence Reception and Dinner will be the newly selected members of the 1992 Culinary Team USA and the winners of the Third Annual Ice Carving Classic.

F TOMORROW



Leading the forum will be such industry leaders as Herman Cain, president and chief executive officer of Godfather's Pizza, the featured luncheon speaker; and recently inducted members of the College of Diplomates. Lively panel discussions will expose students to current industry issues and challenges, and question-and-answer periods will provide an opportunity for frank discussion between the generations.

CHARLIE RICH AND THE TURTLES AT THE CAPERS

What better way to relieve the stress of floor activity, get to know other attendees and exhibitors and have a free evening of entertainment and fun than to participate in the "Convention Capers," Sunday and Monday evenings, May 20 and 21?

□ On Sunday, May 20, from 9 p.m. to 1 a.m. at the Hyatt Regency Chicago, attendees will be delighted by the special sounds of country legend Charlie Rich, best known for mega-hits "Behind Closed Doors" and "The Most Beautiful Girl." A gifted keyboard artist equally compelling in country, blues and jazz selections, Rich is one of only two artists to win the four major Country Music Award solo-singing honors: Entertainer, Single, Album and Male Vocalist of the Year.

Joining Rich on the program are Chicago favorites Joel Daly and the Sundowners. In addition to his musical talents, Daly is one of Chicago's most popular news anchors—and recently found time to complete law school and gain admission to the Illinois Bar.

□ On Monday, May 21, from 9 p.m. to 1 a.m. at the Chicago Marriott, The Turtles will headline the evening's entertainment. The popular group is best known for its recordings, "Elenore," "She'd Rather Be with Me," "You Showed Me" and the legendary "Happy Together." Of course, The Turtles wouldn't be The Turtles without the "renaissance men of rock," Flo and Eddie, otherwise known as Mark Volman and Howard Kaylan.

DINAH SHORE AT GRAND GALA

The foodservice industry will be in full court to honor the new president of the National Restaurant Association—Michael Hurst of 15th Street Fisheries in Ft. Lauderdale, Florida—at the Grand Banquet and Show/Congressional Leadership Forum (CLF) Gala at the Hyatt Regency Chicago on Saturday, May 19, at 6:30 p.m.

Spinning the evening's special magic will be gifted singer and TV hostess Dinah Shore, whose name has become synonymous with celebrity style and hospitality.

Shore's talents have garnered numerous awards and accolades, including nine gold records, 10 Emmy awards, the coveted Peabody Award and Woman of the Year.

Accompanying this popular lady of song will be the 25-piece Dick Judson Orchestra. In addition to the dazzling evening of entertainment, the Grand Banquet will feature a gourmet dinner and dancing. Tickets are $100 a person. For more information and reservations, call National Restaurant Association convention headquarters at (312) 853-2525.

PRE-SHOW SEMINARS—A SHOW BONUS FOR OPERATORS

An added but separate attraction at the Show will be the pre-Show seminars sponsored by the Educational Foundation of the National Restaurant Association. The foundation, with a renewed focus on the professional development of foodservice managers, will present seminars on the lower level of McCormick Place North on Saturday, May 19, and Sunday, May 20, in both half and full-day formats.

Seminar registration is a separate charge that is not included in the general-admission cost to the Show. All seminar registrations include course materials and a certificate of completion. Full-day seminar attendees will receive lunch. Registration fees for pre-Show seminars vary, with full-day courses for a

INTRODUCING SERVSAFE

Customer interest in food safety is high, and that is why the Educational Foundation of the National Restaurant Association is launching ServSafe, a new national food safety certification program. Created to help operators train managers and employees in food safety practices, the program is an outgrowth of the "Applied Foodservice Sanitation" course, which has been successfully completed by 220,000 foodservice operators across the country.

ServSafe follows up on a recent National Restaurant Association resolution, which urges operators to voluntarily train foodservice managers in food safety to reassure the public that high standards are maintained in food handling. More than 100 foodservice companies and several hundred schools, health departments, and professional associations use the foundation's food safety program. The program is also available as an in-house seminar to train managers or corporate trainers. ServSafe is being launched at the Show.

single registrant running between $140 and $175 and half-day courses costing between $70 and $80. The one-day Applied Foodservice Sanitation Certification Course is $140 and the two-day course is $175. Discount rates for two or more registrants are available for all courses. For more information, contact The Educational Foundation of the National Restaurant Association, Customer Service Department, 250 S. Wacker Dr., Suite 1400, Chicago, IL 60606, 1-800-522-7578 or (312) 715-1010.

The 1990 pre-Show seminar lineup includes:

□ *Applied Foodservice Sanitation Certification Workshop.* This course will cover vital sanitation basics. Those passing the certification exam will receive a certificate of completion. (Certification requirements vary by jurisdiction. The foundation offers both a one-day and a two-day program at the Show.) *Instructors:* educational foundation staff

□ *Banquet Management.* Attendees will learn the keys for creating and maintaining a successful and profitable banquet program. *Instructor:* Bob Neville, certified catering executive

□ *Successful Buffet Management.* This course will cover the basics of successful buffet service, with special emphasis on creative menus, decor, preparation and presentation, cost control and staff motivation. *Instructor:* Ron Yudd, U.S. Senate Restaurants

□ *Customer Service.* Attendees will look at the relationship between service and communication, including how to handle complaints and treat special customers. *Instructor:* Johnson and Wales University staff

□ *Dining-Room Management.* This is an important course for staff involved in "front-of-the-house" operations and problem solving. Customer relations, employee motivation and alcohol-awareness programs will be some of the many topics covered. *Instructor:* Ned Carloni, the educational foundation

□ *Food-Cost Management.* This course teaches food-cost control through a proven system that controls costs by tracking actual food use. Attendees will go home with the forms and management tools needed to implement this cost-control program into a new or existing operation. *Instructor:* Bill Schwartz, Systems Concepts Inc.

□ *Franchising for Growth.* This seminar will examine the tremendous growth potential of franchising and will identify the prerequisites for successfully franchising a foodservice operation. *Instructor:* Don Boroian, Francorp, Inc.

□ *Kitchen Management.* Attendees will learn methods for running a better, more efficient operation in this course, plus how to "streamline" purchasing and receiving, reduce food costs and improve quality. *Instructor:* Jeff Harrison, the educational foundation

□ *The Labor Issue: Hiring, Training and Retaining.* This course presents ways to beat the labor crunch by creating an active recruitment plan, establishing a high-quality training program and successfully retaining employees. *Instructor:* Jeff Harrison, the educational foundation

□ *Healthy Profits through Nutrition.* Here is a chance to learn nutrition basics from a foodservice operator's perspective. Topics covered will include how to modify a current menu to make it more nutritious, how to create new nutritious selections and how to use nutrition as an effective promotional tool. *Instructor:* Claire Regan, R.D., National Restaurant Association

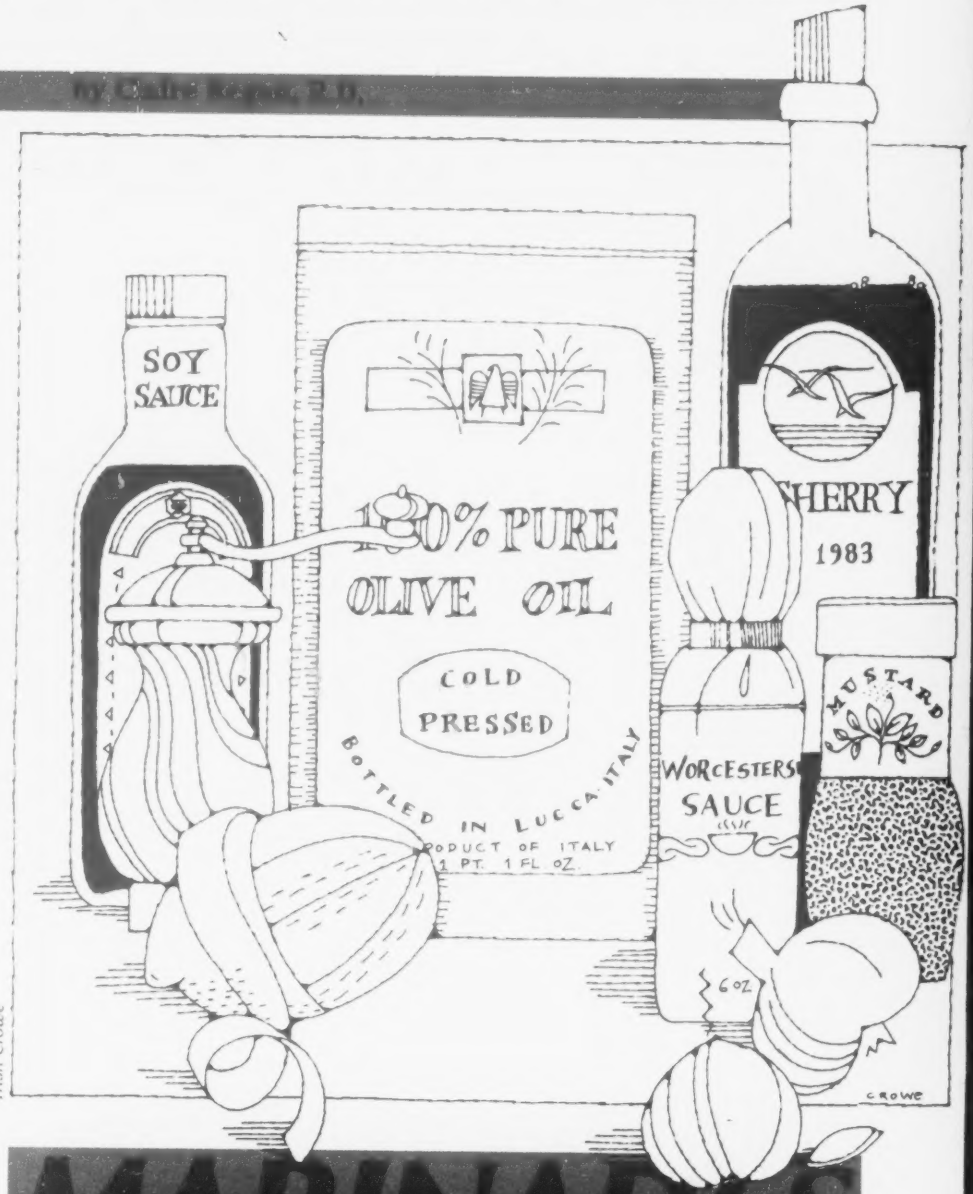
□ *Perfecting Your Culinary Skills.* This course teaches the basics of high-quality food preparation—from fundamental techniques to "tricks of the trade." Cost control and efficiency are emphasized throughout. *Instructor:* Culinary Institute of America staff

□ *Profitability.* In this course, which is a blueprint for improving profits at the unit level, attendees will learn a variety of practical and innovative operating systems, management techniques and cost-control tips that can be implemented in any full-service operation. *Instructor:* Bill Main, The Shore Bird Restaurant

□ *Promoting Your Restaurant.* This seminar will teach attendees how to create an effective promotional plan, based on a strong community-marketing campaign. Topics covered include direct mail, promotions, publicity and tapping into local resources. *Instructor:* Bill Gillespie, The Shore Bird Restaurant

□ *Takeout Delivers Profits.* This practical program will help attendees penetrate the growing carryout market, It will examine takeout-market potential and discuss ways to design a takeout menu and prepare effective packaging and labeling. *Instructor:* Terri Woodard-Polster, professional catering consultant ❑

Advocates of the marinating process say most chefs do not take advantage of this culinary technique that can tenderize meats and add flavor and color.



Trish Crowe

MARINADES DESERVE A SECOND LOOK

"Marination is a curiously underutilized method of flavoring food," says Noel Cullen, dean of practicum education at Johnson and Wales University in Providence, Rhode Island. He speculates that the reason why is that chefs don't want to take the time and that many others do not understand the technique, which requires a delicate balancing of flavors.

Marinades infuse flavor

Yet marinating is deeply rooted in culinary history and is an integral component of culinary art. Originally used to preserve food and tone down the strong flavors of wild game, today chefs use marinades primarily to enhance the flavor of foods and to tenderize tough cuts of meat and even fish.

Marinades also add color to foods. "Red wine gives foods like pears and potatoes a beautiful red color. A saffron marinade adds color to white fish and mussels, and a raspberry vinaigrette brightens the quail breast in a warm salad," Cullen offers.

Bill Donnelly, executive chef of Chez Melange (Redondo Beach, California) extols the use of marinades to give foods a distinctive ethnic flair. "Using the herbs and spices of a given region in a marinade will give an ethnic flavor to a dish without having to rely on a sauce. Curry and cardamom evoke the flavors of India; Szechuan peppercorn, and lemon and lime rind, are reminiscent of the Orient; and oregano, basil, red wine and olive oil are distinctively Italian." Donnelly's Southwestern-style fish, for example, is sea bass, swordfish or another firm-fleshed fish marinated in tequila, cilantro and lime juice and then grilled.

At Baby Nova, a New-Wave Italian restaurant in Winter Park, Florida, arugula vinaigrette gives grilled eggplant a less common yet distinctly Italian accent. Sous chef David Kulwicki purees arugula and blends it with shallots, garlic, white pepper, red-wine vinegar and olive oil. Then he marinates it briefly and grills it. The grilled eggplant is served as an appetizer with fontina cheese, arugula and sun-dried tomatoes. Joyce Goldstein of Square One in San Francisco marinates white fish in a Moroccan charmoula, a mixture of paprika, cayenne, cumin, garlic, lemon juice, parsley, cilantro and olive oil. With the addition of vinegar and a little more oil, Goldstein uses the charmoula as a vinaigrette on grilled tuna and grilled vegetables. It is also good on cooked sliced chicken breast and combined with peppers and onions to make a Moroccan chicken salad.

Claire Regan is manager/staff nutritionist at the National Restaurant Association.

Serves 4

Ingredients:
4 red snapper or rockfish filets (6 ozs. each)
2 stems lemon grass
¼ cup chopped fresh basil
¼ cup olive oil
¼ tspn. crushed red pepper
¼ tspn. pepper
Basil sprigs for garnish

Method:
Measure fish at its thickest part to determine approximate cooking time—10 min. per inch—and place in a glass dish. Peel off tough outer layers of lemon grass; thinly slice the tender, pale yellow portion to yield ¼ cup. Place in food processor and finely chop. Add basil and chop. Add oil slowly. Stir in red pepper and pepper. Spread over fish, coating all sides. Refrigerate until ready to use.

Place fish on hot, well-oiled grill, 4 to 5 inches above hot coals. Grill about 3 minutes per side or just until fish begins to flake when tested with a fork. Garnish with basil sprigs.

—National Fisheries Institute

In her book, *The La Varenne Cooking Course* (William Morrow and Company, Inc., 1982), Anne Willan, founder of the Ecole de Cuisine La Varenne in Paris, reports that cooked marinades (simmering the ingredients until tender and cooling before use) give a stronger flavor and generally are used with beef and game. Red wine, herbs and such spices as juniper, peppercorns, onion, carrots, garlic and shallots are common ingredients in a cooked marinade. "Raw marinades—such as those for fish or chicken, for which the ingredients are simply mixed together and poured over the food—are used when the food is to be marinated for a short time. They're generally composed of white wine or lemon juice, herbs, pepper and a slice or two of onion," Willan writes.

"Dry marinades, a mixture of herbs or spices rubbed on the surface of food, can be just as effective as liquid marinades to flavor food," says Shelly Jacobs, proprietor of Shelly's Woodroast, a Minneapolis restaurant where foods are marinated, then roasted in a special wood-burning oven and finished on a grill. Bill Donnelly of Chez Melange is also a proponent of dry marinades. He rubs chili powder and orange rind on lamb and uses Szechuan peppercorn, and a lemon and lime-rind mixture on meats before grilling to add an Asian accent.

Serves 4

Ingredients:
4 Bartlett pears
2 cups red wine
1 cup water
1 oz. sugar

Method:
Peel or score pears in a decorative pattern. Mix together water, wine and sugar in a saucepan. Place pears in this marinade and heat to a boil. Remove from heat and set to marinade in refrigerator overnight. Serve whole pears with a creme brulee or soft custard.

—Recipe courtesy of Noel Cullen

Makes enough for 10 lbs. of venison

Ingredients:
4 cups vegetable oil
1 med. onion, thinly sliced
1 carrot, peeled and thinly sliced
6 cloves garlic, thinly sliced
4 bay leaves, broken
4 sprigs fresh thyme, chopped
10 juniper berries, cracked
4 Tbs. cracked black peppercorns

Method:
1. Mix all the ingredients in a pan large enough to hold all the meat. Submerge the pieces of meat in the marinade.

2. Turn the meat in the marinade once a day. Be sure the meat is covered by the marinade.

—from the book *Jasper White's Cooking from New England* by Jasper White. Copyright © 1989 by Jasper White; the Berne Convention. Reprinted by permission of Harper & Row, Publishers, Inc. To order copies of the book, call toll free: 1-800-242-7737.

Marinades tenderize

Mary Sue Milliken, co-owner of City Restaurant and Border Grill in Los Angeles, uses a marinade passed on by partner Sue Feniger's mother to tenderize and flavor skirt steak. The combination of olive oil, lemon juice, sherry, soy sauce, Worcestershire sauce, garlic, dry mustard and ground pepper also works well on rib eye, Milliken reports. She warns, "Marinades help to tenderize meat, but if you're not careful they can toughen the meat. The acid (in the marinade) causes the muscle fibers to almost cook and become tough."

Willan recommends marinating fish for two to three hours in the refrigerator, veal and chicken for six to eight hours, and lamb for 24 hours. "Game and beef can be left for up to three days, by which time the flavor is quite strong," she writes.

Executive chef Michael Weeks of Arnies in Edmonds, Washington, likes to use marinades to tenderize fish. "Some cuts from larger fish, like blue marlin and black-tip shark, can be tough; and marinades with lime juice and cilantro tenderize as well as flavor," Weeks points out. He reports that because marinades add so much flavor to meats and fish, the need for sauces is eliminated. "Marinades add flavor without adding the fat, calories and cholesterol of a cream sauce." Weeks uses a bourbon-based marinade flavored with Dijon mustard, soy and Worcestershire sauces on a boneless chicken breast. He says the bourbon provides a sharper flavor than wine. Weeks also combines molasses, ginger, soy sauce, lime juice, coriander, garlic and pepper for a marinade he describes as "a little sweet but excellent on pork tenderloin and some fish."

Marinades extend shelf life

Although marinades are no longer a necessity in this day of modern refrigeration, some chefs still appreciate marinades for their preservative properties. Jasper White writes in his book, *Jasper White's Cooking from New England* (Harper & Row, 1989), "I am a strong proponent of oil-based marinades. They add flavor, increase tenderness and, most important, extend the shelf life and thus reduce the need for freezing as a means of preserving meat." White reports that venison covered with an oil-based marinade keeps up to three weeks in the refrigerator. Michael Weeks claims that some marinades can triple the shelf life of seafood, a highly perishable food item. ❑

EIGHT TAX-SAVING TIPS

by Mark E. Battersby

Thanks to the complexity of our tax rules, many restaurant owners and managers are content merely to avoid making costly errors on their tax returns. Others take full advantage of every tax rule and regulation in order to achieve even greater tax savings. Both reducing the errors that result in tax overpayments and slashing taxes through the use of sophisticated strategies can affect your tax bill on April 16.

1 Preferential dividends. A good example of an area where errors frequently occur is that of preferential dividends. All transactions between a closely held foodservice or restaurant corporation and its officer-shareholders are subject to special scrutiny by the IRS. If corporate property is distributed to the stockholders, those stockholders generally realize what is called a "constructive" or "preferential" dividend that is taxed to them.

The most common type of preferential dividend received by shareholders involves the payment of the personal expenses of the stockholders. Typically, the restaurant corporation claims deductions for those expenses as business expenses on its own tax return. But where the expenses are clearly personal expenses, the corporation is denied a deduction and the officer-shareholder is deemed to have received a taxable dividend in the amount of the disallowed expense.

2 Accumulated-earnings tax. Incorporated foodservice businesses also run into another potentially expensive tax problem. Unless there is a proper business reason for the

Mark E. Battersby is a tax and financial advisor, freelance writer and columnist. He lives in Ardmore, Pennsylvania.

restaurant to accumulate earnings in excess of $250,000 ($150,000 for certain personal-services companies), a whopping 28 percent penalty may be assessed. To avoid this penalty, the owner or manager must carefully document the business reasons for accumulating the earnings.

3 **Subchapter S.** Another way of avoiding the accumulated-earnings penalty is also an excellent tax-saving strategy for most foodservice operations—the S corporation.

Although it is too late for 1989, the S corporation election means that the incorporated restaurant generally pays no federal income tax. Nor will the business ever be subject to the personal-holding-company or accumulated-earnings penalty taxes. Plus, the retained corporate characteristics, such as limited liability, continuity of life and transferability of interests, are suitable for both a smooth business operation and unsophisticated estate planning. However, shareholders are responsible for taxes on profits.

4 **Estimated taxes.** Paying estimated taxes on the basis of a guess of the current year's tax liability is a tricky business. The failure to make proper payment subjects the restaurant to a stiff, nondeductible penalty. Most restaurateurs—and their tax advisors—opt for the safe harbor of an amount based on the prior year's tax bill when this option is available. But foodservice business owners who overpay their estimated taxes are, in effect, making an interest-free loan to Uncle Sam.

Fortunately, a substantial savings can be realized by using the annualized method of estimating taxes if income is less than the income of the prior year. A restaurant may compute any annualized income installment by placing its taxable income for the corresponding portion of the tax year on an annualized basis, computing the tax and paying the required percentages of the tax after deducting all prior required installments for the tax year.

5 **Net operating losses.** Any restaurateur who is going to show a net operating loss for this year and who still owes taxes from last year is allowed to file for an extension of time to pay tax as a result of financial hardship. Only an interest charge will be assessed on the unpaid balance if the extension is granted.

Of course, many restaurateurs choose to give up the carryback provisions. This might be appropriate, for instance, where a foodservice operation whose prior three years' income were taxed at low rates expects to be in higher brackets in the future.

6 **Retirement plans.** A deferred-compensation arrangement may be particularly attractive to employers in cash-short years, since some plans required no immediate cash outlay. Quite simply, a program of deferred compensation is a long-range-planning device that can take a number of different forms. This is an excellent time to reexamine the foodservice operation's benefits package. Be on the alert for discrimination in favor of officers, owners or highly compensated individuals.

If the restaurant has too little cash to fund the employee-benefit plan—wait. Funding can legally be delayed until the extended due date of the operation's business income-tax return. Of course, the delay may increase the required minimum contribution to be paid to include additional interest. Or, if the plan is a discretionary profit-sharing plan, consider not funding it at all this year.

7 **LIFO.** A foodservice business is required to use the accrual method of accounting if inventories are a material income-producing factor. Fortunately the IRS permits several alternative methods of valuing inventories, and the choice of the right method can mean a substantial reduction in taxes.

Perhaps the most common inventory method used is FIFO—First-In, First-Out. This assumes that the oldest item in inventory will be the next item sold. In an inflationary cycle, this method will usually reflect a cost of sales that is lower than current replacement cost. To prevent this, many restaurateurs have turned to another inventory method—Last-In, First-Out, or LIFO. LIFO assumes that the last item purchased will be the next item sold, thus charging the current replacement cost against current sales.

Since switching to LIFO can be done without IRS approval, the decision can be deferred until the due date of the tax return including any extensions. And don't forget that recent changes in the LIFO rules allow foodservice operations to use published government indices to compute the effect of inflation, thereby saving the administrative cost of having to compute their own indices.

8 **Depreciation.** The recovery of capital costs for most tangible depreciable property is determined under the so-called "Modified Accelerated Cost Recovery System" (MACRS). The cost of eligible MACRS property is recovered over a 3, 5, 7, 10, 15, 20, 27.5 or 31.5-year period, depending on the type of property.

But don't overlook the expensing election for some of those depreciable business assets. All restaurants may choose to treat the cost of qualifying property, known as "Code Section 179 property" (depreciable property that is used in a trade or business), as an expense rather than as a capital expenditure and are allowed to deduct the expense in the year in which the property is placed in service.

On the downside, a $10,000 ceiling is placed on the aggregate cost that may be deducted as a "Section 179" expense. Where the cost of qualified property placed in service during the year exceeds $200,000, the $10,000 ceiling is reduced by the amount of any such excess. ❑

#106

A letter to an HRI graduate

Dear Graduate,

Congratulations on successfully completing your program! Whatever the circumstances were that caused you to enroll in an HRI program, they were auspicious, for you are about to enter a high-growth, worldwide industry that has an unlimited future. You will be part of a service industry that offers enormous opportunities for satisfaction—financial, promotional and personal. No doubt you've heard that before.

As you go out into the world, there are some things that I want to say to you. You won't find this material in a textbook.

1. You may be feeling a little smug because you realize you are in a seller's market for your skills and abilities. Demographic statistics and future projections show a decline in the numbers of persons in your age group and you might think this will heighten demand for you. But don't be fooled. Demographics will not help you over the long haul. You are the primary person responsible for your development and advancement. If you're not willing to work hard, then you won't make it—despite your academic credentials. Conscientious, hardworking people who possess poise and leadership attributes are always in demand. You can't afford to be smug. Ever!

2. You've learned a lot of theory, supplemented somewhat by your "hands-on" coursework and your work experience. That process will soon be reversed; you will have mostly practical day-to-day work experiences. You will need to digest those experiences so they do not become mechanical. Be analytical in what you are doing. Think in terms of systems and flows, and think creatively about refining, altering and bettering what you are doing. Your "thinking" education is not over. It's just starting to be applicable to the real world. That's why they call graduation "commencement."

3. Very shortly, you will encounter problems you have not experienced before that will require immediate and decisive action. You may wonder, "Why didn't my teachers prepare me for this? After all, I paid a hefty tuition, and they should have taught me the answer to this problem." In truth, they have prepared you, but not in the manner you recognize. There are few textbook answers to the issues and problems that arise, and your instructors could not have anticipated all the specific circumstances you will face. What you did receive is a framework for *thinking* as well as a framework for *doing*. With your education, experience, common sense, values and "gut feeling" of what's right or wrong in any given situation, you will be able to take the decisive action. Sometimes it will turn out right, sometimes wrong. Nobody's perfect. Nobody scores on every play. Over time, you will grow in your professionalism and expertise because you have been taught to be more than a doer. You are a thinking doer.

4. Success comes in "cans." It doesn't come in "can'ts" or "cannots." You *can* do it. No job is too big for you. No position is beyond your reach, for you can handle it once it is offered to you. You would not have been given the opportunity to accept it, if those offering it didn't have faith in your ability to succeed. No project is beyond your ability to bring it to a successful conclusion. Don't shy away from responsibility, seek it. Don't reject opportunity, seize it. Don't just move on, move up. Don't just think, think big.

5. Dealing with people will be the biggest challenge you will face. My advice is to keep your word at all times. Your word is the vocalization of all that you represent as a human being. Don't make promises unless you can keep them. Then keep them! Other people may not always keep their word in their relationships with you, but that is not a reason for you to waver in your own standards. If you treat *all* with whom you come into contact with respect, dignity, honesty and sincerity, you will get beaten sometimes—but you'll be rewarded far more often.

6. Today you are looking at the bright side of your future. Although you have high expectations and hopes, you should realize that there will be some very difficult times in your life that may test your mettle as a person. Everyone has difficult times; no one escapes. You are not an exception. When hard times do come, you cannot allow yourself to wallow in self-pity or become immobilized. You will be a role model to others, and you cannot allow them to become dispirited. Your leadership responsibilities will scream for you to manage your way through the difficulty. You will need to be the elevating force for those around you. You *can* do it. On the other hand, you will also enjoy success. Don't let your merriment be carried to excess at such times. Keep your poise and a clear mind, for there is more that can be done.

Your family, your teachers, your employer and others have an investment in you. In large part you reflect us, as we have given a large part of ourselves to you. Accordingly, you are among the very best this nation and this industry have to offer—but you have to keep proving it every day. Good luck, as you move ahead to ever-increasing heights.

Sincerely,

Your old professor

Fisher's Law #106: If you keep the foregoing thoughts in mind, the best of everything you will ever know in your life will still be ahead of you.

Beverage update

Beverage consumption in the United States is changing, reflecting a more health-conscious society. Beverages such as lowfat milk and diet soft drinks are gaining in popularity, while alcohol consumption is steadily declining, especially consumption of distilled spirits.

Alcoholic Beverages

Virtually all measures suggest that alcoholic-beverage consumption is in the midst of a long-term decline. According to government data, consumption of ethanol declined steadily from 1982 to 1986. In addition, there has been a substantial decline in the incidence of alcoholic-beverage consumption among adults.

According to a recent Gallup poll, 56 percent of adults drank alcoholic beverages in 1989, the smallest proportion recorded since 1958. Moreover, a relatively large proportion of those who drink, 25 percent, said they plan to cut down or quit drinking in 1990.

The incidence of alcoholic-beverage consumption is down at restaurants as well, mirroring overall patterns. A 1989 National Restaurant Association survey found that 54 percent of adults consumed alcoholic beverages at restaurants, compared to 61 percent in 1987. Among those who ordered alcoholic beverages, 38 percent reported doing so less often, 57 percent about the same amount and 5 percent more often.

Men were somewhat more likely to order alcoholic beverages at a restaurant or eating place than were women (59 percent versus 48 percent). This was because women 35 and older were much less likely than men to drink these beverages. In contrast, the likelihood of drinking was virtually identical among men and women under 35. It is interesting to note that the decline in the likelihood of ordering alcoholic beverages between 1987 and 1989 is apparent in all age groups except men 55 years old and older.

Per-capita consumption is steadily sliding

According to the U.S. Department of Agriculture (USDA) Economic Research Service, in 1988 the average American 21 or older consumed a total of 39.5 gallons of alcoholic beverages.[1] Per-capita alcohol consumption peaked in 1981 at 43.1 gallons and has been declining ever since.

Distilled spirits. Distilled-spirits consumption was down in 1988 for the ninth consecutive year, according to the USDA Economic Research Service. Adults drank an average of 2.21 gallons of distilled spirits in 1988, compared to 3.04 gallons in 1978.

This downward trend showed signs of continuing in 1989. According to *Jobson's Liquor Handbook*, apparent consumption of distilled spirits (measured on a volume-sold basis) declined 2.3 percent in 1989.

One bright spot for the distilled-spirits industry in 1989 was apparent tequila consumption; the number of cases of tequila sold rose 1.2 percent. Irish-whiskey sales were virtually flat, and all other categories were down, including the vodka category that had posted gains in 1988.

Wine. Per-capita wine consumption declined in 1988 for the second year in a row, according to the USDA Economic Research Service—down a full 6 percent from 1987. Wine-cooler consumption appears to have dropped a dramatic 16 percent in volume in 1989, according to data from the Bureau of Alcohol, Tobacco and Firearms and the Bureau of the Census. All other wines decreased more than 3 percent, and champagne/sparkling wines declined 3 percent.

Imported wines have lost a significant share of the U.S. wine market. In 1984, imported wines represented more than 26 percent of all wines consumed by volume in the United States, but by 1989 that share dropped to 14 percent.

According to the Wine Institute, there has been some shifting in California table-wine shipments to U.S. markets by color categories. Blush wines grabbed a 17 percent share of all shipments in 1989, nearly double their 9 percent share in 1987. White wines took a dive from a 62 percent share in 1987 to a 53 percent share in 1989, red-wine shipments decreased slightly to a 13 percent share in 1989 and rose wine increased to a 16 percent share.

Beer. Beer consumption held up better than any other alcoholic beverage in 1988, declining only slightly (1 percent), reports the USDA Economic Research Service. Per-capita beer consumption peaked in 1981 at 36.8 gallons per adult and decreased every year, to the 1988 level of 34.1 gallons per adult.

According to *Beer Marketer's Insight*, imported beer lost ground in 1989—down 8 percent from 1988 to 8.6 million gallons. Domestic beer increased slightly from 1988 in number of barrels sold, reaching 183.3 million in 1989.

Why has this decline occurred?

The 1989 Gallup Poll cited several reasons for the decrease in alcohol consumption, including increased awareness of alcohol-related health problems, stiffer drunk-driving penalties and concern over drug abuse in the United States. There are indications that

Who is most likely to consume alcohol in a restaurant?

Beer

According to the National Restaurant Association's beverage preference study, consumers who drank alcohol away from home said they were more likely to order bottled beer (68 percent) than a glass of draft (62 percent) or a draft pitcher of beer (40 percent). Consumers said they are likely to order domestic beer (62 percent) over imported beer (47 percent).

Other beer-drinking facts about consumers who drink alcohol away from home:

- Men are more likely than women to order beer in a restaurant (with the exception of light beer).
- About half of both

Per-capita consumption of alcoholic beverages[1]

Alcoholic-beverage consumption is steadily declining

	Beer	Wine[2]	Distilled spirits	Total gallons consumed
1982	36.2	3.3	2.8	42.3
1983	35.6	3.3	2.7	41.7
1984	35.0	3.4	2.6	41.1
1985	34.4	3.5	2.5	40.5
1986	34.7	3.5	2.4	40.8
1987	34.4	3.4	2.3	40.2
1988	34.1	3.2	2.2	39.5

[1]*Based on gallons consumed by U.S. resident population 21 years old and older*
[2]*Beginning 1983, includes wine coolers*

Source: U.S. Department of Agriculture, Economic Research Service, *Food Consumption, Prices, and Expenditures*, annual; and unpublished data

this decline in consumption will continue. A full one-quarter of the 56 percent who drink said they plan to cut down (18 percent) or quit (7 percent)—almost double the 1987 finding in which 15 percent said they planned to cut down or quit.

The National Restaurant Association's beverage preference study found that the most frequently mentioned (38 percent) reason for drinking less alcohol in a restaurant was that the respondent "didn't enjoy alcoholic beverages as much anymore." Other reasons cited:

- health reasons (20 percent)
- concerns about drinking and driving (17 percent)
- cost of drinking (12 percent) and
- concerns about calories or weight control (5 percent).

men and women said they would be at least somewhat likely to order light beer.

- Thirty percent of women and 7 percent of men would never order beer in a restaurant.
- Preferences for beer decrease with age.
- Persons 45 years old and older are considerably less likely than younger consumers to order beer in restaurants.

Wine

Two-thirds of those who drink alcoholic beverages away from home said they were likely to order white wine, 51 percent said red wine, 47 percent said champagne and 38 percent said a wine cooler.

With the exception of champagne, women were more likely to order wine than men. The appeal of white and red wines does not appear to differ by age. However, with increasing age, there is decreasing interest in ordering either champagne or wine coolers. A similar trend occurs with rose wine.

Mixed drinks

More than half of those who drink alcohol away from home (51 percent) said they would be likely to order mixed drinks in a restaurant. Men are more likely to order mixed drinks than women (57 percent versus 44 percent). On the other hand, thick, sweet and fruity cocktails appeal more to women than men (53 percent versus 34 percent); and the likelihood of ordering them is negatively correlated with age—66 percent of drinking customers between the ages of 18 and 24 were very likely to order them, compared to 43 percent of 25 to 44-year-olds and only 30 percent of people older than 45. After-dinner liqueurs are equally popular among men and women (38 percent).

At which restaurants is alcohol most consumed?

According to a special SIP study[2] commissioned by the National Restaurant Association, 65 percent of all alcohol consumed in 1987 by volume in an eating or drinking establishment was in a bar or private club, 30 percent was in a table-service restaurant and 5 percent was in a fast food establishment. Tableservice restaurants captured the majority of wine consumption by volume (75 percent), and more beer (72 percent) was consumed in bars and private clubs than in any other type of establishment.

Not surprisingly, upscale restaurants had the highest percent of alcohol orders. According to CREST,[3] in 1989, 27 percent of all eater occasions[4] in an upscale restaurant included an alcoholic-beverage order, compared to 4 percent for midscale restaurants and 1 percent for fast food places. Within the upscale category, cocktails were consumed on 12 percent of all eater occasions, beer on 9 percent of occasions, white wine on 4 percent of occasions and other wine (not wine coolers) on 3 percent of occasions.

Several types of restaurants stand out as having a high incidence of alcohol orders. Within the fast food category, they are pizza (4 percent of eater occasions), barbecue (2 percent) and varied-menu (2 percent) restaurants. Beer captured the majority of orders.

In the midscale sector, alcohol was ordered most frequently at Italian restaurants (12 percent of eater occasions), Mexican establishments (12 percent) and fish/seafood places (10 percent). Within the moderate-check upscale category, the top places for alcohol sales were Italian restaurants (26 percent), fish/seafood establishments (25 percent) and steakhouses (24 percent). Casual restaurants also garnered a high incidence of alcohol orders (32 percent). However, higher-check upscale restaurants, especially Italian restaurants (62 percent) and steakhouses (58 percent), captured the highest percentage of alcohol orders per eater occasion.

[1]*Alcoholic beverages, milk and soft drinks were based on U.S. resident population as of July 1. Coffee and tea were based on the total U.S. population as of July 1, 1989*
[2]*SIP stands for National Family Opinion's Share of Intake Panel*
[3]*CREST stands for Consumer Reports on Eating Share Trends, a diary survey by one of the NPD marketing and research companies*
[4]*An eater occasion is one meal eaten by one person*

Nonalcoholic Beverages

Recent nonalcoholic trends seem to reflect a more health-conscious society. Although they continue to consume large amounts of regular soft drinks, Americans appear

to be shifting toward diet soft drinks. Also, lowfat milk has become more popular in recent years, and whole-milk consumption is down. Coffee consumption has been fluctuating, and tea has remained relatively stable.

Soft drinks. Soft-drink consumption, for the most part, has been steadily increasing. According to the USDA Economic Research Service, Americans consumed an average of 31.7 gallons of soft drinks in 1988—up 4 percent from 1987. Between 1980 and 1988, per capita consumption rose 17 percent.

According to Beverage Marketing *1989 U.S. Soft Drink Market and Packaging Report*, fountain-drink consumption increased at a higher rate than consumption of packaged soft drinks. Between 1987 and 1988, packaged soft drinks increased 4 percent in volume, while fountain drinks advanced a full 5 percent.

This translates into a 25 percent share of the soft-drink market for fountain in 1988 and a 75 percent share for packaged. Fountain drinks' share of the overall soft-drink market has been steadily rising.

Between 1987 and 1988, diet soft drinks increased nearly 10 percent in total gallons consumed, while regular soft drinks advanced 3 percent. From 1987 to 1988, diet's share of the total soft-drink market increased 2 percent to 28 percent. Correspondingly, regular soft drink's share of the total market declined from 74 percent in 1987 to 72 percent in 1988. However, in the fountain market, diet soda's share has been gaining at a slightly lower rate than its packaged counterpart. In

Per-capita consumption of nonalcoholic beverages[1]

Low-fat milk and soft-drink consumption are increasing

	Whole milk	Lowfat milk[2]	Tea[3]	Coffee[4]	Soft drinks[5]
1982	15.5	10.8	6.9	25.9	26.9
1983	15.1	11.1	7.0	26.3	27.4
1984	14.7	11.6	7.1	26.7	28.4
1985	14.3	12.3	7.1	27.3	30.4
1986	13.5	13.0	7.1	27.4	31.9
1987	12.9	13.2	6.9	26.3	30.5
1988	12.3	13.7	6.9	24.3	31.7

[1]*Milk and soft drinks are based on U.S. resident population, July 1. Coffee and tea are based on U.S. total population, July 1*
[2]*Includes buttermilk and skim milk*
[3]*Fluid equivalent conversion factor is 200 6-oz. cups per pound of tea, leaf equivalent*
[4]*Includes instant and decaffeinated coffee. Converted to fluid equivalent on the basis of 60 6-oz. cups per pound of regular roasted coffee and 187.5 6-oz. cups per pound of instant coffee*
[5]*Revised in accord with the Census of Manufacturers*

Source: U.S. Department of Agriculture, Economic Research Service, *Food Consumption, Prices, and Expenditures*, annual; and unpublished data

Who is most likely to consume nonalcoholic beverages?

Soft drinks

Women were somewhat less likely to order regular soft drinks than men and somewhat more likely to order diet soft drinks, according to the 1987 National Restaurant Association beverage preference study. For instance, 62 percent of males said they were likely to order a regular cola in a restaurant, compared to 46 percent of females. However, 42 percent of females were likely to order a diet cola, compared to 31 percent of males.

Age was negatively correlated with the tendency to order a soft drink in a restaurant. With the exception of diet caffeine-free cola, customers 45 and older were least likely to order all other types of soft drinks, and customers 18 to 24 were most likely to order them.

Coffee

More than half of adult restaurant patrons (53 percent) said they would be likely to order brewed coffee, and 31 percent said they would be likely to order caffeine-free brewed coffee. Nineteen percent would be likely to order regular instant coffee, and 16 percent would order caffeine-free instant coffee. Only 8 percent say they would order iced coffee. More mature patrons, especially 45 and older, were more likely to say they would order coffee, and women showed a stronger preference than men in ordering caffeine-free coffee.

Tea

Regular iced tea is the most preferred tea at restaurants (64 percent), followed by regular hot tea (41 percent). Only 26 percent of respondents said they might order caffeine-free iced tea, and only 18 percent said they would be likely to order caffeine-free hot tea.

Men and women were equally likely to order regular or caffeine-free iced tea in a restaurant. However, women were more likely to order regular hot tea or caffeine-free hot tea than men (46 percent versus 35 percent and 23 percent versus 12 percent). The likelihood of ordering tea does not increase with age. In fact, younger consumers (18 to 24) were somewhat more likely to order hot tea and both regular and decaffeinated tea.

Juices

Eighty percent of respondents said that if orange juice were available, they would be likely to order it in a restaurant. The second-most-popular juice likely to be ordered was apple juice, likely to be ordered by 49 percent. Apple juice was closely followed by grape (43 percent), grapefruit (42 percent), pineapple (38 percent), cranberry (37 percent) and vegetable (36 percent) juices. Only 6 percent said they would never order any juice. Males were somewhat more likely to say they would order orange juice, and females were more likely to order cranberry and pineapple juices. Preferences for apple and grape juice appeared to decrease with age, whereas preference for grapefruit, cranberry and vegetable juice increased with age.

Share of beverage consumption volume away from home by type of establishment

Tableservice restaurants captured almost half of all beverages sold

	Fast food	Tableservice restaurant	Bars and private clubs
Total alcoholic beverages	5	30	65
☐ Total liquor	1	51	48
☐ Total wine	2	75	23
☐ Total malt beverages	6	22	72
Total nonalcoholic beverages	44	49	7
☐ Total soft drinks	58	35	7
☐ Total coffee	32	62	6
☐ Total tea	21	71	8
☐ Total milk	40	56	4
Total beverages	**37%**	**45%**	**18%**

Source: National Restaurant Association, NFO Share of Intake Panel, 1987

1988, diet's share was 22 percent, up from 21 in 1987.

Milk. Although overall milk consumption has decreased slightly over the past several years, lowfat-milk consumption[5] has been on the rise. According to the USDA Economic Research Service, per capita consumption of lowfat milk was 13.7 gallons in 1988, up 27 percent from 1982. In contrast, Americans consumed more than 3 gallons less whole milk in 1988 (12.3 gallons) than they did in 1982.

Coffee. According to the USDA Economic Research Service, per capita coffee consumption fluctuated somewhat over the past several years. Americans consumed 11 percent less coffee in 1988 (an average of 24.3 gallons) than they did in 1986. However, according to the National Coffee Association, coffee consumption rose in 1989 to an average of 1.75 cups per day from 1.67 cups per day in 1988.[6] Moreover, there was a general shift toward brewed coffee and away from instant. Decaffeinated coffee, both brewed and instant, showed a slight increase in 1989.

Tea. Americans consumed an average of 6.9 gallons of tea in 1988, unchanged from 1987, according to the USDA Economic Research Service. In fact, tea consumption has been relatively stable over the past decade.

Juice. According to the USDA Economic Research Service, per capita consumption of orange, grapefruit and grape juice was 5.53 gallons in 1988,[7] up slightly from 5.49 gallons in 1987. (The Economic Research Service did not have data available on other juices, such as tomato, cranberry, apple or pineapple.)

According to the Florida Department of Citrus, the sales share of citrus juices to restaurants and other establishments has generally grown over the previous decade. Orange juice sold at U.S. restaurants, convenience stores, hospitals and institutions and for other purposes represented a 35 percent share (434 million gallons) by volume of orange juice sold in 1987–88—up from 28 percent in 1985–86. Grapefruit-juice sales represented a 34 percent share (41.1 million gallons) of all grapefruit juice sold—up from 26 percent.[8]

Spotlight on bottled water

☐ U.S. per-capita consumption of bottled water has risen from 4.0 gallons in 1984 to 6.4 gallons in 1988 (5.7 gallons of nonsparkling and 0.7 gallons of sparkling).

☐ There are 600 different brand labels of bottled water in the United States and more than 75 imported brands.

☐ Based on wholesale dollars, the market for nonsparkling water breaks down to:

- restaurants—5 percent
- vending machines—8 percent
- commercial delivery—27 percent
- home delivery—27 percent
- retail grocery/off-premises—33 percent

☐ States representing the top five markets of bottled water in the United States—in order of rank—are California, New York, Texas, Florida and Illinois.

Source: International Bottled Water Association and Beverage Marketing Corporation

Where are nonalcoholic beverages most likely to be consumed?

According to the association's SIP study, well over half (58 percent) of all soft drinks consumed by volume in an eating or drinking place were in a fast food establishment. All other nonalcoholic drinks by volume were most likely to be consumed in a tableservice restaurant—71 percent of all tea; 62 percent of all coffee; 56 percent of all milk; and 54 percent of all juice.

According to CREST, in 1989 soft drinks were ordered on 30 percent of all restaurant-eater occasions. The majority of those orders (21 percent) were regular carbonated soft drinks; 8 percent were diet, carbonated; and the remaining 1 percent was noncarbonated. More orders for soft drinks occurred in fast food restaurants (36 percent of all fast food eater occasions) than in midscale (20 percent) or upscale restaurants (15 percent). Fast food hamburger, sandwich and Mexican restaurants were especially popular places to order soft drinks.

Although coffee was ordered on 14 percent of all restaurant occasions, it was much more popular with midscale (30 percent) and upscale restaurants (22 percent) than at fast food places (8 percent). Tea, both hot and iced, was also ordered more at midscale establishments (16 percent) and upscale restaurants (18 percent) than fast food places (4 percent). Milk was ordered on only 2 percent of eater occasions at both fast food and upscale restaurants, but the number of orders rose to 4 percent for midscale restaurants. Juice was ordered on 2 percent of all restaurant occasions and was ordered most frequently at midscale hotel restaurants (13 percent), upscale hotel restaurants (9 percent) and midscale family-style restaurants (6 percent).

—Elizabeth Gordon

[5]Includes buttermilk and skim milk

[6]Overall population not including persons under the age of 10

[7]Excluding hot-pack canned citrus juices

[8]Includes orange juice or grapefruit juice that is sold as ingredients of citrus sodas, which represent a minimal part of this category

A look at children under six

Children under six, whose numbers will peak in the early 1990s, are having a significant effect on foodservice because they are more likely to eat away from home than their counterparts of a few years ago. Moreover, they're a growing market for tableservice establishments.

The population of children under six is growing faster than the Census Bureau had projected it would because baby boomers are having more children later in life than adults of prior generations. The under-six population is now expected to peak in the early 1990s, when the bulk of the baby-boomer generation matures.

An 8 percent increase in the population of children under six between 1982 and 1988 helped to boost the number of restaurant visits among very young customers. Although these youngsters accounted for just 7 percent of total traffic in 1988, the number of restaurant visits made by those under six jumped 36 percent between 1982 and 1988, compared to 15 percent for adults 18 and over, according to a special CREST study prepared for the National Restaurant Association.

Although they represent a relatively small proportion of the market, these children are having a significant effect on the restaurant industry—in both the fast food and tableservice sectors. Futhermore, they are more likely to eat away from home than were youngsters under six years of age were just a few years ago. This means that restaurateurs must be prepared to serve the needs of more young customers today and in the next few years.

Fast food predominates

In 1988 an overwhelming 83 percent of eater occasions for children under the age of six occurred at quickservice establishments. Traffic for the under-six group increased by 38 percent between 1982 and 1988.

Although quickservice hamburger restaurants are usually associated with youngsters, their dominance is being challenged. Based on a below-average 24 percent increase in traffic between 1982 and 1988, this segment's share of quickservice traffic for the under-six group was down from 46 percent in 1982 to 41 percent in 1988.

In comparison, other types of quickservice establishments, particularly pizza places, are gaining favor with very young consumers. Traffic for the under-six group at pizza restaurants was up by 86 percent from 1982 to 1988, and their share of the under-six quickservice market shot up to 21 percent in 1988 from 17 percent in 1982.

Chicken restaurants posted substantial gains as well, but the leaders in terms of traffic gain for youngsters were Asian and Mexican quickservice places. These ethnic restaurants captured only a small fraction of total quickservice traffic, but occasions for the under-six group more than doubled at each type of restaurant.

Traffic for customers under six

More young customers are eating out

	Percent of total, 1988	Percent change 1988/1982
Quickservice	83%	+38%
Tableservice	17	+28
Total	100	+36

Source: National Restaurant Association NPD/CREST survey

Kids eat off premises

Considering the logistical problems of parents with young children, it is not surprising that most kids' business involves purchases for off-premises consumption. Quickservice takeout accounted for more than half of all restaurant occasions for those under six, and it posted a 70 percent increase in traffic from 1982 to 1988.

Off-premises occasions for kids typically occur at home. Fifty percent of at-home, quickservice occasions involved drive-thru or delivery, a convenient alternative for busy parents. Car orders jumped 55 percent between 1982 and 1988. In addition, delivery, which was not tracked in 1982, has increased to a point where it accounted for 6 percent of all quickservice occasions and 15 percent of quickservice occasions where consumption occurs at home.

Dinner is most popular meal

Dinner is the most popular meal period for kids at quickservice restaurants. Nearly half of their quickservice occasions occur at dinner, versus one-third at lunch, 8 percent at breakfast and the remainder at afternoon snacks. From 1982 to 1988, kids' dinner traffic at quickservice restaurants jumped 46 percent.

Pizza restaurants moved into the number-one spot for quickservice dinner among this age group, capturing 38 percent of dinner occasions in 1988 versus 28 percent in 1982. In contrast, hamburger restaurants lost a substantial share of the kids' dinner market with a second ranking of 32 percent of occasions in 1988, down from the number-one spot of 42 percent of occasions in 1982.

Weekend dinners accounted for 25 percent of kids' quickservice business, but weekday lunches were not far behind, capturing 21 percent of occasions. Hamburger restaurants continue to predominate at lunch, capturing 59 percent of lunch occasions for kids under six. Pizza, the closest competitor, attracted just 10 percent of lunch occasions for these youngsters.

More kids at tableservice restaurants

Although only 17 percent of their occasions occurred at tableservice establishments in 1988 and they are responsible for just 4 percent of total tableservice traffic, kids under six cannot be discounted. Because of their increased numbers, they represent an expanding market for the tableservice sector.

Although adult tableservice traffic declined 6 percent from 1982 to 1988, traffic for children under six

Most popular restaurant foods for children under six

Soft drinks, hamburgers, french fries and pizza are the most frequently ordered restaurant foods for children under six

Food item	Percent of eater occasions
Soft drinks	35.2
Total sandwiches	33.5
☐ hamburgers/cheeseburgers	24.1
☐ hot dogs	3.6
French fries	32.8
Pizza	18.0
Fried chicken	11.7
Ice cream	8.9
Milk	8.4
Other desserts	7.6
Mexican	4.1
Juice	3.4

Source: National Restaurant Association NPD/CREST survey

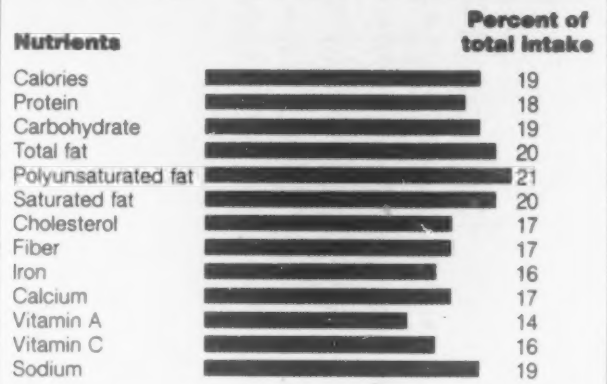
Under-six traffic—on vs. off-premises

Off-premises occasions are most popular at quickservice establishments

Source: National Restaurant Association NPD/CREST survey

Nutrient contribution of away-from-home food for children one to five years old, 1986

Food eaten away from home does not contribute a disproportionate level of fat or sodium



Note: *This survey defines food eaten away from home as any food or beverage eaten as a guest in another household or obtained in any type of restaurant, cafeteria (including school cafeteria), store or vending machine and eaten outside the home.*

Source: *"Nationwide Food Consumption Continuing Survey of Food Intakes by Individuals, Women 19-50 Years and Their Children 1-5 Years, 4 Days, 1986," Report No. 86-3, USDA, 1988*

jumped 28 percent. In fact, according to CREST, the increased presence of children was occurring more at tableservice in 1988 than at quickservice restaurants. Kids were present at 35 percent of occasions for adults 18 to 44 at quickservice restaurants in 1988, virtually unchanged from 34 percent in 1982. In contrast, kids were present at 24 percent of tableservice occasions for adults 18 to 44 in 1988, up from 19 percent in 1982.

Moreover, the only traffic growth occurring at tableservice restaurants among adults in the 18 to 44-year-old group involved kids. Tableservice customer traffic for adults-only parties was down 16 percent, whereas traffic where kids were included gained 15 percent.

As is true at quickservice eateries, the under-six customer is more likely than adult customers to eat off premises. Still, more than eight out of 10 of their tableservice occasions occurred on premises.

Typically, these kids visit tableservice restaurants for dinner—50 percent of tableservice occasions for customers under six are at the evening meal. Weekend dinners were responsible for 31 percent of occasions; weekday dinners 19 percent. Weekday and weekend lunches combined accounted for 28 percent of kids' occasions.

Nearly four out of 10 tableservice occasions for customers under six occurred at full-menu and family-style midscale restaurants. An additional 10 percent occurred at steak restaurants. Ethnic places represented a relatively small proportion of visits, but the number of occasions at these places was up dramatically.

Although data were not available specifically for the under-six group, it is possible to identify the types of tableservice restaurants where kids up to age 17 were present in the greatest proportion of parties. The clear leaders were as follows:

- ☐ Upscale burger (34 percent)
- ☐ Family steak (33 percent)
- ☐ Mexican tableservice (29 percent)
- ☐ Italian tableservice (29 percent)

Favorite food items

There were few surprises when it comes to the foods youngsters under six ate at restaurants. The foods they ate are commonly associated with off-premises consumption and lend themselves to sharing, which is likely to occur when small appetites are satisfied. Their favorites were:

Children influence the decision where to eat out

A recent National Restaurant Association study revealed that children under the age of 12 were included in a substantial portion of parties who patronized specific restaurant types. Children under 12 years old constituted:

- ☐ 40 percent of all parties where dinner food was delivered
- ☐ 40 percent of parties where dinner was eaten inside a fast food restaurant
- ☐ 39 percent of parties where a meal was carried out of a fast food restaurant
- ☐ 28 percent of parties where a meal was eaten at a sit-down restaurant where the average check was less than $10 per adult
- ☐ 17 percent of parties where a meal was eaten at a sit-down restaurant where the average check was $10 or more per adult.

Source: *1989 National Restaurant Association Dinner Decisionmaking Study*

- soft drinks (35 percent)
- french fries (33 percent)
- hamburgers (24 percent)
- pizza (18 percent)
- fried chicken (12 percent)

However, kids' tastes are becoming more varied. Although they account for only 1 to 4 percent of occasions, the number of pasta, Mexican and Asian dishes ordered by kids under six increased substantially. Other items posting gains of 50 percent or more from 1982 to 1988 include juice, pizza, main-dish salads and fried chicken (mostly nuggets and bits).

Despite the common assumption that children prefer mild and plain foods, youngsters tend to favor foods that are familiar, regardless of the seasoning. Children tend to be more sensitive to the temperature and texture of food than to flavor.

Meal promotions aimed at children can include milk or fruit juice as the beverage rather than soft drinks. Finger foods are popular among the preschool crowd. Raw or partially cooked vegetables fill the bill. Whole fruit is unwieldy for little hands, but cut-up fruit or dried fruit would be appropriate for this audience. Yogurt is a good choice to have available for children who prefer not to drink milk when eating away from home.

Commensurate with their size, appetites of young children are small. A standard portion for preschool is one tablespoon of food for each year of age. Operators who serve child-sized portions or who encourage meal sharing among youngsters are likely to be favored by parents. ❑

Hotel restaurant operations data

A special analysis of the National Restaurant Association's 1989 industry operations survey provides operating data for hotel restaurants.

For the second consecutive year, restaurant industry operations data from the association's annual survey have been compiled for restaurants located in or attached to a hotel.

Higher checks

According to the association's analysis of the operations survey data, hotel restaurants in 1988 posted median sales of $2,755 per seat. These establishments reported median food sales of $2,289 per seat and median alcoholic-beverage sales of $557 per seat.

Although hotel restaurants generally posted lower per-seat sales than other tableservice restaurants, they did record higher average checks. For 1988 hotel restaurants reported a median per-person check size of $11.21, compared to $9.07 for all full-menu tableservice respondents and $6.12 for all limited-menu tableservice respondents.

Payroll and rent expenses advance

Despite higher average checks, in 1988 hotel restaurants reported a median profit of $7 per seat. This compares to a much higher median profit of $141 per seat for full-menu tableservice establishments and $289 for limited-menu tableservice operators.

Two important expense categories that contributed to hotel restaurants, posting little to no profit are controllable expenses and occupation costs. Controllable expenses are the costs that are most directly influenced by operating policy and management efficiency; they include major expenses, such as salaries and wages, employee benefits, and advertising and promotion expenses. Occupation costs include rent, property taxes and property-insurance expenses.

In 1988 hotel-restaurant participants reported that controllable expenses were 55 percent of total sales and occupation costs were 8 percent of total sales. By comparison, in 1987 hotel-restaurant controllable expenses were a lower 52 percent of total sales and occupation costs were 7 percent of sales. Although these results are not strictly comparable, it is clear that higher payroll and rent expenses are increasing the ratios for controllable and occupancy costs.

For example, in 1987 hotel-restaurant survey participants reported a median payroll cost of $1,004 per seat or 31 percent of total sales. In 1988 the median payroll cost per seat was $1,105 or 35 percent of total sales.

For 1987 hotel restaurants had a median rent expense of $190 per seat. In 1988 hotel-restaurant survey participants had a higher median rent expense of

Employee information*

Hotel restaurants had 30 full-time equivalent employees

	Full-time equivalent employees			Amount per full-time equivalent employee	
	Total	Per 100 restaurant seats	Per 100 average daily covers	Total sales	Total payroll
Hotel restaurants	30	12	16	$23,375	$ 9,436
Full-menu tableservice	30	17	12	28,800	9,463
Limited-menu tableservice	18	15	9	29,616	8,687
Limited-menu no tableservice	15	22	4	40,414	11,036

* *Median values*

Source: National Restaurant Association's restaurant industry operations survey, 1989

Selected income and expenses* for hotel restaurants in 1988

Median restaurant sales were $2,755 per seat

	Amount per seat	Ratio to sales**
Total sales	$2,755	—
Total cost of sales	942	34%
Gross profit	1,767	66
Total income	1,999	67
Controllable expenses		
Payroll	1,105	35
Employee benefits	140	4
Direct operating expenses	206	7
Music & entertainment	28	1
Advertising & promotion	59	2
Utilities	128	4
Administrative & general	84	4
Repairs & maintenance	44	1
Occupation costs		
Rent	234	7
Property taxes	41	1
Other taxes	51	2
Property insurance	52	2
Income before interest & depreciation	134	4
Interest	76	3
Depreciation	114	4
Restaurant profit	$ 7	0%

* *Median values*
** *All ratios are based as a percentage of total sales*
Source: National Restaurant Association's restaurant industry operations survey, 1989

Lodging sales continue to grow

The National Restaurant Association forecasts that food-and-drink sales at lodging establishments (which include hotel, motor-hotel and motel restaurants) will reach $15.1 billion in 1990—up 6.7 percent over 1989 or a 2.3 percent advance in real terms.

Hotel restaurants are expected to account for 84 percent of the lodging foodservice market, posting sales of $12.7 billion. This represents a real sales gain of 2.6 percent. Motel-restaurant sales are expected to reach $1.5 billion, while motor-hotel-restaurant sales are forecast to exceed $936 million this year.

$234 per seat. Consequently, hotel-restaurant profit has been squeezed.

Staffing overview

Hotel-dining establishments employed 30 full-time-equivalent workers in 1988, the same number reported by all full-menu tableservice survey participants. Limited-menu tableservice operators employed 18 full-time-equivalent employees.

Median total sales per full-time-equivalent employee were $23,375 at hotel restaurants, compared to $28,800 for all full-menu tableservice survey participants and $29,616 at limited-menu tableservice operations. Total payroll per full-time-equivalent employee at hotel restaurants was $9,436—virtually identical to that of full-menu tableservice operations.

—Hudson Riehle

Industry is still mostly small business

Contrary to the belief that independent restaurants are being "gobbled up" by large corporations, small single-unit firms still accounted for the bulk of eating and drinking places in 1987.

According to the recently released *1987 Census of Retail Trade* data on firm size and organizational form, nearly 62 percent of all eating and drinking place firms* had annual sales below $250,000—a decline from 71 percent in 1982—and 18 percent had annual sales between $250,000 and $500,000. In contrast, just more than 8 percent of eating and drinking firms had annual sales of $1,000,000 plus.

Among refreshment places (fast food) and restaurants and lunchrooms, the pattern is similar. According to the *Census of Retail Trade*, 53 percent of restaurant and lunchroom firms had annual sales of less than $250,000 in 1987, as did 59 percent of fast food firms. Only 10 percent of restaurant firms and 12 percent of fast food firms had sales in excess of $1,000,000 per year.

This high incidence of "small" business is even more evident when looking at single versus multi-unit ownership. In 1987, 96 percent of restaurant and lunchroom firms were classifed as single-unit businesses.** These firms, in turn, accounted for 84 percent of restaurant and lunchroom units. Furthermore, the number of establishments owned by single-unit firms increased at a slightly faster pace than was the case for establishments owned by multi-unit restaurant firms.

The proportion of fast food establishments owned by single-unit firms was significantly lower than the proportion for restaurants and lunchrooms. Fifty-nine percent of fast food establishments were single-unit operations in 1987.***

Between 1982 and 1987 the number of units owned by multi-unit fast food firms increased at more than twice the pace of unit expansion for single-unit firms—40 percent versus 18 percent. This suggests that multi-unit franchisees and

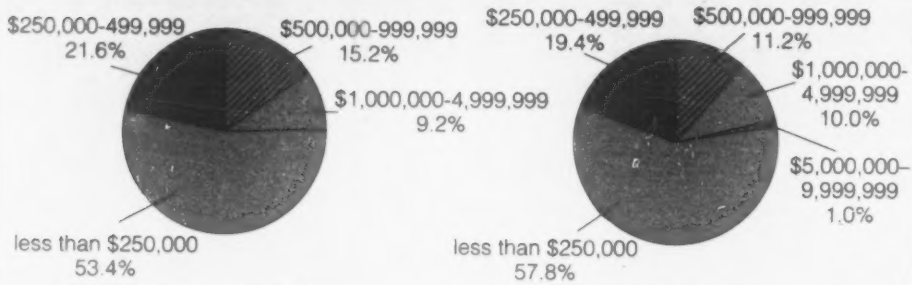
**includes only firms with payroll and those establishments operated throughout the year*

***Single-units were defined by firm ownership; thus an operator who owns one single establishment that was a restaurant or lunchroom or fast food establishment was considered to be a "single-unit." This number does not include firms that own more than one establishment but only own one eating establishment—i.e., a person who owns a dry-cleaning store and a restaurant would not be included*

****It should be noted that a franchisee operating one unit is categorized as a single-unit firm*

Distribution of firms by annual sales in 1987

Firms with annual sales of $500,000 or less accounted for about three-fourths of all fast food places and restaurant and lunchroom firms in 1987



Note: Totals do not add to 100. Remainder are too small to graph—0.6% of restaurant and lunchroom firms had annual sales of $5 million or more and 0.5% of fast food firms had sales of $10 million or more.

Source: U.S. Department of Commerce, *Census of Retail Trade, 1987*

company-owned stores are responsible for the lion's share of fast food growth, although the majority of units are still in the hands of single-unit operators.

Fastest growth among high-volume units

Although many restaurants and fast food establishments were smaller-volume units, the fastest growth in number of establishments and sales occurred in high-volume units.

According to *Census of Retail Trade* data, the number of eating places with annual sales of $25,000,000 plus more than doubled between 1982 and 1987—from six to 15 units. The same was true with the number of eating places with sales between $10,000,000 and $24,999,999—from 50 units to 123 units—and eating places with sales between $2,500,000 and $9,999,999—from 1,640 units to 3,482 units. There was also nearly a 90 percent increase in the number of eating places with sales between $1,000,000 and $2,499,999. At the same time, the number of eating places with sales below $249,999 declined from 1982 to 1987.

Although some of this change may reflect the inflationary effect of increasing menu prices over the period (menu prices climbed 22 percent, based on the Consumer Price Index for food away from home), it is not likely that inflation alone is responsible for the shift to establishments with higher sales.

Higher growth among the highest-sales-volume units was more noticeable among fast food places than for restaurants. Restaurants and lunchrooms with sales of $5,000,000 or higher more than doubled in number between 1982 and 1987—from 119 restaurants in 1982 to 269 in 1987. Over that same period, the number of fast food places with sales of $5,000,000 or more increased almost sixfold—from 11 to 62. At the same time, there was a decline in the number of restaurants and lunchrooms and fast food places at the lowest sales volumes (see chart).

Modest per-unit sales growth

As a whole, the number of restaurants and fast food establishments posted double-digit unit and sales growth between 1982 and 1987. During this period the number of restaurants and lunchrooms grew 14 percent, and the number of fast food places increased by 16 percent. Sales growth advanced 43 percent for all restaurants and 63 percent for fast food establishments.

The average unit sales for restaurants and lunchrooms in 1987 was $493,376—up 25 percent from 1982, and the average unit sales for fast food establishments was $471,884—up 41 percent from 1982.

—Nancy Michalski

Establishments by sales volume 1982 and 1987

The fastest growth was found among high-volume establishment

	Restaurants & lunchrooms		Fast food	
Sales volume	**1982**	**1987**	**1982**	**1987**
$5,000,000+	119	269	11	62
$2,500,000–$4,999,999	999	2,038	115	466
$1,000,000–$2,499,999	8,545	14,182	5,716	13,191
$500,000-$999,999	17,281	23,072	16,379	25,970
$250,000-$499,999	23,581	27,590	21,824	26,885
$100,000-$249,999	31,349	32,397	27,759	27,034
$50,000-$99,999	16,481	14,899	14,729	11,928
$25,000-$49,999	7,762	7,626	6,979	5,424
Less than $25,000	4,785	4,449	5,014	3,120

Note: *Data include only those establishments with payroll that operated the full year*

Source: U.S. Department of Commerce, *Census of Retail Trade, 1987*

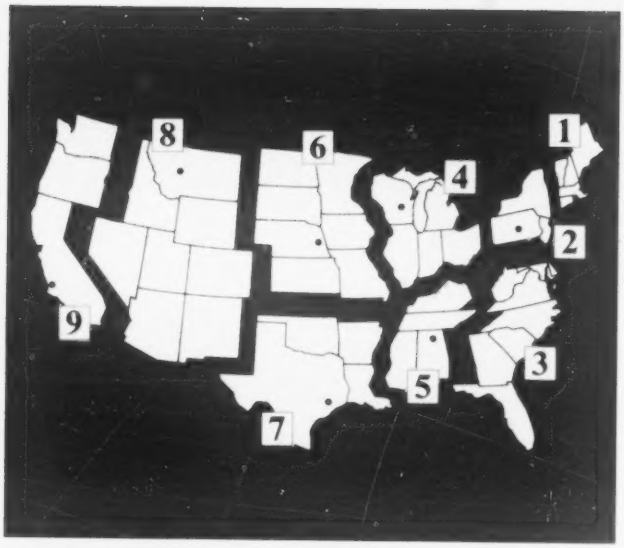
How large are the largest firms?

According to the *Census of Retail Trade*,

- The four largest restaurant firms owned 3 percent of all restaurant units in 1987—no change from 1982.
- The four largest fast food firms owned 5 percent of all fast food units in 1987—up from 3.5 percent in 1982.
- Large firms were less prevalent among restaurants than fast food establishments. The top 50 restaurant firms owned 7 percent of all restaurant units, whereas the top 50 fast food firms owned 15 percent of all fast food units.
- Between 1982 and 1987, fast food units overall grew 26 percent and the top four fast food firms increased their number of units by 87 percent.

To find out more

If you would like additional information from the *Census of Retail Trade*, call the association's research department at 1-800-424-5156 ext. 5957 or (202) 331-5957 from 9 a.m. to 5 p.m. Eastern Standard Time.



1 NEW ENGLAND

Location: Westerly, RI
Association members: Ruth and Bill Holliday
Operation: Happy Holliday Restaurant
Profile: Midscale restaurant
In business: 70 years
Seats: 185
Meals served: Lunch, dinner

"It's been a slow winter, and it was a slow summer," says owner-operator **Bill Holliday,** commenting on the hard times that have followed the collapse in New England's real estate market. In spite of a loyal clientele of local businesspeople and senior citizens, the Happy Holliday Restaurant has felt the region's squeeze.

Bill Holliday's grandfather started the operation as a small bar early in the century, with the family living upstairs. Then he added sandwiches, and from there the restaurant has grown in both size and diversity.

To combat the tough economic climate, the Hollidays have accented value in their menu pricing. They currently offer a full luncheon buffet for $6.95, and senior citizens pay only $5.95. In another effort to boost customer counts, the restaurant has undertaken cross-promotions with local hotels. In one promotional tie-in, the hotel offers to pay for half of its guest's meal at the Happy Holliday.

Holliday notes that area diners seem to be eating out earlier in the evening. As a result, the Hollidays have bumped up closing time by an hour, which helps to control labor costs.

2 MID-ATLANTIC

Location: Carlisle, PA
Association member: John Doulgeris
Operation: Little John's Family Restaurant
Profile: Midscale family restaurant
In business: 5 years
Seats: 155
Meals served: Breakfast, lunch, dinner

"When you walk into our place, it's like you're walking into someone's home," says Little John's owner **John Doulgeris.** The restaurant's big bay window, light-blue decor and outdoor landscaping make welcome surroundings for Little John's main customers: local retirees and families.

Located at the base of the Allegheny Mountains, Carlisle's mild weather and flat topography have made it an ideal retirement town. Little John's reaches these diners with ads in the local paper and through contacts with nursing homes.

Plenty of freshly cooked daily specials dot the menu, and great care is taken to prepare the food in a nutritious way. "Everyone is concerned about health," says Doulgeris. "That's the trend for the '90s. We don't sell alcohol, either, so it's a good place to bring a family."

Little John's is closed on Sundays, and Doulgeris thinks that helps attract better-quality employees. "By being closed on Sunday, we get a group of young workers who have the support of their families. They can spend at least that one day on family activities."

3 SOUTH ATLANTIC

Location: Salisbury, MD
Association members: Ed Horner, Logan Widdowson
Operation: Johnny's and Sammy's
Profile: Upscale restaurant with adjoining coffee shop
In business: 35 years
Seats: 381
Meals served: Breakfast, lunch, dinner

Johnny's and Sammy's is under new ownership, but it's been a fixture in Salisbury for more than 35 years. The restaurant's location on Maryland's Eastern Shore puts it in the path of tourists driving to area resorts, but 90 percent of patronage is local.

Manager **Kay Tyler** is proud of the upscale restaurant's menu, which includes plenty of local flavor. "We make our own crab cakes, which I say are the best in the world," boasts Tyler, "and I'll back it up." Also on the menu, served January through March, is muskrat. "We cook it with sage and onions, and people who like it really like it. Those who don't stay as far from it as possible," says Tyler.

4 EAST NORTH CENTRAL

Location: Lake Delton, WI
Association member: Jeff Wimmer
Operation: Jimmy's Del Bar
Profile: Upscale steakhouse
In business: 47 years
Seats: 225 plus 60 on outdoor patio
Meals served: Dinner

Business was once exclusively seasonal for this steakhouse situated on a highway halfway between Minneapolis and Chicago. But a recent spurt of traffic from snowmobilers and skiers has perked up weekend traffic in the winter.

Manager **Jane Groessel** relies on advertising placed by the local visitors' bureau to promote both the restaurant and the Wisconsin River area as a tourist destination. With waterparks and recreation throughout, the region is a magnet for family travelers during the summer months.

Jimmy's began as a supper club and still features a New York steak as the house specialty. Also on the menu are fresh fish, pasta and prime rib.

5 EAST SOUTH CENTRAL

Location: Jacksonville, AL
Association member: Elias Jourban
Operation: Village Inn
Profile: Family buffet and limited menu
In business: 25 years
Seats: 160
Meals served: Lunch, dinner

Sunday afternoon is peak time at the Village Inn, according to owner **Elias Jourban.** The local after-church crowd is treated to a traditional Thanksgiving meal each Sunday, including turkey, dressing and homemade desserts. Plenty of other options are also available at the extensive buffet, vegetable bar and salad bar.

Jacksonville is the home of Jacksonville State University, so Jourban courts students as both customers and employees. Jourban himself was once a student and Village Inn employee. "I worked here as a waiter when I was in school," says Jourban. "I liked it so much that I worked for Pizza Hut for 12 years, saved up my money and came back and bought the place."

6 WEST NORTH CENTRAL

Location: Omaha, NE
Association member: Daniel Sherman
Operation: Zio's Pizzeria
Profile: 2 pizzerias
In business: 4½ years
Seats: 48 and 75
Meals served: Lunch, dinner

Business is going well for Zio's Pizzeria. Excellent reviews on television and in local newspapers have been worth "thousands and thousands and thousands" of dollars in advertising, according to owner **Daniel Sherman.** One local reviewer proclaimed Zio's New York-style pizza his "favorite of all time." Sherman credits its popularity to the freshness and quality of ingredients used.

Finding employees in Omaha, however, is not too easy. "It's a nightmare," says Sherman. "We're not able to get rid of our poor workers, because we'd have to replace them with worse." Omaha's unemployment rate stands near 3.5 percent, which is far below the national average. Sherman says that local telemarketing firms siphon off potential employees by paying wages higher than a restaurant can afford to pay.

Zio's decor features a subtle art-deco feel, and Sherman bills the restaurant "the home of the round square meal."

7 WEST SOUTH CENTRAL

Location: Houston, TX
Association member: Vincent Mandola
Operation: Nino's Restaurant & Bar
Profile: Upscale Italian
In business: 12½ years
Seats: 120
Meals served: Lunch, dinner

Business has remained steady through boom and bust at Nino's Italian restaurant in downtown Houston. Relying on traffic from regulars and word-of-mouth recommendations, Nino's does almost no advertising or promotion. "We offer down-home Italian cooking that a lot of people identify with," says manager **Dale Bartnick.**

Although many Italian restaurants have opened in Houston in recent years, none recreate Nino's earthy feel. Located in an old house of wood and brick, the restaurant's high ceilings and traditional decor transcend its urban surroundings. "People don't come here to see and be seen," says Bartnick. "They come here to enjoy good food and good service. We have a lot of customers who come here daily."

Nino's veal, fresh seafood and homemade cannoli attract a mixed audience, including downtown businesspeople and theatergoers.

8 MOUNTAIN

Location: Great Falls, MT
Association member: Diane Guy
Operation: El Comedor
Profile: Midscale Mexican
In business: 20 years
Seats: 104
Meals served: Lunch, dinner

This month El Comedor celebrates its 20th anniversary of bringing Tex-Mex food to the Great Falls area, and business is still growing: Sales increased 12 percent last year without an increase in menu prices.

President and general manager **Diane Guy** is gearing up for this year's Cinco de Mayo celebration, a promotion that will be bigger than usual because of the restaurant's anniversary. In addition to the usual mariachi band and festive decorations, a trip to Mexico will be given away, and there will be a pinata party for youngsters.

El Comedor isn't the only Mexican restaurant in Great Falls, but its 20-year reputation gives it an advantage. "We've probably seen 20 Mexican restaurants come and go since we've been here," says Guy. The restaurant serves its burritos, enchiladas and fajitas to a diverse clientele, including Great Falls regulars, employees of the local air base and members of nearby farming communities.

9 PACIFIC

Location: Santa Maria, CA
Association member: John A. Yurasek
Operation: Jay's Fish & Chips
Profile: Quickservice seafood
In business: 20 years
Seats: 19
Meals served: Lunch, dinner

Located halfway between San Francisco and Los Angeles on California's central coast, Jay's Fish & Chips has done a steady business for 20 years by serving up deep-fried seafood to Santa Maria residents and travelers from nearby highway 101. An area hospital and its surrounding medical community offer owner **John Yurasek** a solid customer base to supplement Santa Maria's growing retirement communities. "I don't have much competition," says Yurasek, "mostly because I've been here so long."

Jay's business is 65 to 70 percent takeout, but Yurasek doesn't like to call his fare "fast food." "We cook everything when the customer gets here," he says. "We don't have any warming lights."

Jay's once had a seating capacity higher than its current 19, but a Santa Maria law requiring no-smoking sections prompted Yurasek to reduce the number of seats. Restaurants with 19 or fewer seats are exempt from the law.

—Paul Moomaw

Talking in the walk-in

Restaurant managers who hurriedly shuttle back and forth between the front and back of the house, solving problems and making decisions, know that all that running around can frazzle the brain as well as wear out the feet. But managers in Indianapolis and San Diego are finding relief from a new source—cordless telephones.

AT&T, which has been testing its new cordless multiline phones in the two cities, reports that restaurants and foodservice operations in particular are especially pleased with the product. Managers who report to work before a shift do not feel so isolated when they carry the cordless phones with them; they can move freely around the restaurant and not worry about missing incoming calls. Or they can carry the phone into the walk-in and storage areas and order supplies over the phone with the stock right in front of them. They can also use the phones' intercom system to communicate with staff in other areas of the restaurant—sort of like a walkie-talkie.

The phones are a plus for customers, too; they can make calls from their table if restaurants wish to offer this service.

—AT&T

Quick-change booths

Here's another time-saving invention for restaurant operators—booths with modular panels that can be replaced in three minutes or less, making cleaning and repair much easier. The modular booths are the brainchild of Tom Smith, president of Crown Seating, Inc., a Sacramento firm that markets restaurant furniture.

Here's how the booths work. Each booth is made up of upholstered modular panels that can be easily assembled and disassembled. The backrests have several panels—rather than one piece—so that if one of the panels is stained or ripped, it can be easily and quickly replaced with an extra, which means the entire booth does not have to be put out of commission. The panels are attached with Velcro for additional ease of installation, but Crown is quick to point out that the Velcro fastenings aren't so simple to figure out that young customers would be able to pull the booths apart!

—Crown Seating, Inc.

CEOs at the Show

When you walk up to the booth at the association's Show in Chicago, you may shake hands with the company president. According to studies done by Incomm International, a consulting, marketing and research firm in Chicago that specializes in trade shows, more CEOs and company presidents are attending shows than ever before—twice the number that attended in 1984.

Incomm's Dr. Allen Konopacki interviewed 100 CEOs and presidents to assess their opinions on trade shows. Eighty-four percent of the respondents claimed to have visited their company's show exhibit during the past year, compared to only 39 percent of the CEOs surveyed in 1984.

Seventy-six percent of the company heads indicated that having the opportunity to assess the competition firsthand was the most valuable result of attending a trade show, but Konopacki maintains that there is more to the trend than "checking out the other guy." He believes the improved attendance figures reflect the move toward a hands-on management style by company leaders who see trade shows as a way to improve communications with their employees and to participate more in the actual marketplace.

—The Wall Street Journal

"A letter to our friends"

Now here's a restaurant that wants to keep its customers. Remi Restaurant in New York City sent a letter to customers on its mailing list in March to apprise them of their new Manhattan location.

As owners Adam Tihany and Francesco Antonucci wrote, "We cannot thank you enough for the years of loyal patronage, and we are sure that you will find our new home as good, friendly and caring, and maybe geographically even a bit more convenient for your lunch appointments or before and after-theater dinners."

The owners also used the letter as an opportunity to announce the opening of another Remi Restaurant in Santa Monica, California, in case Remi customers traveling to the West Coast feel a little homesick.

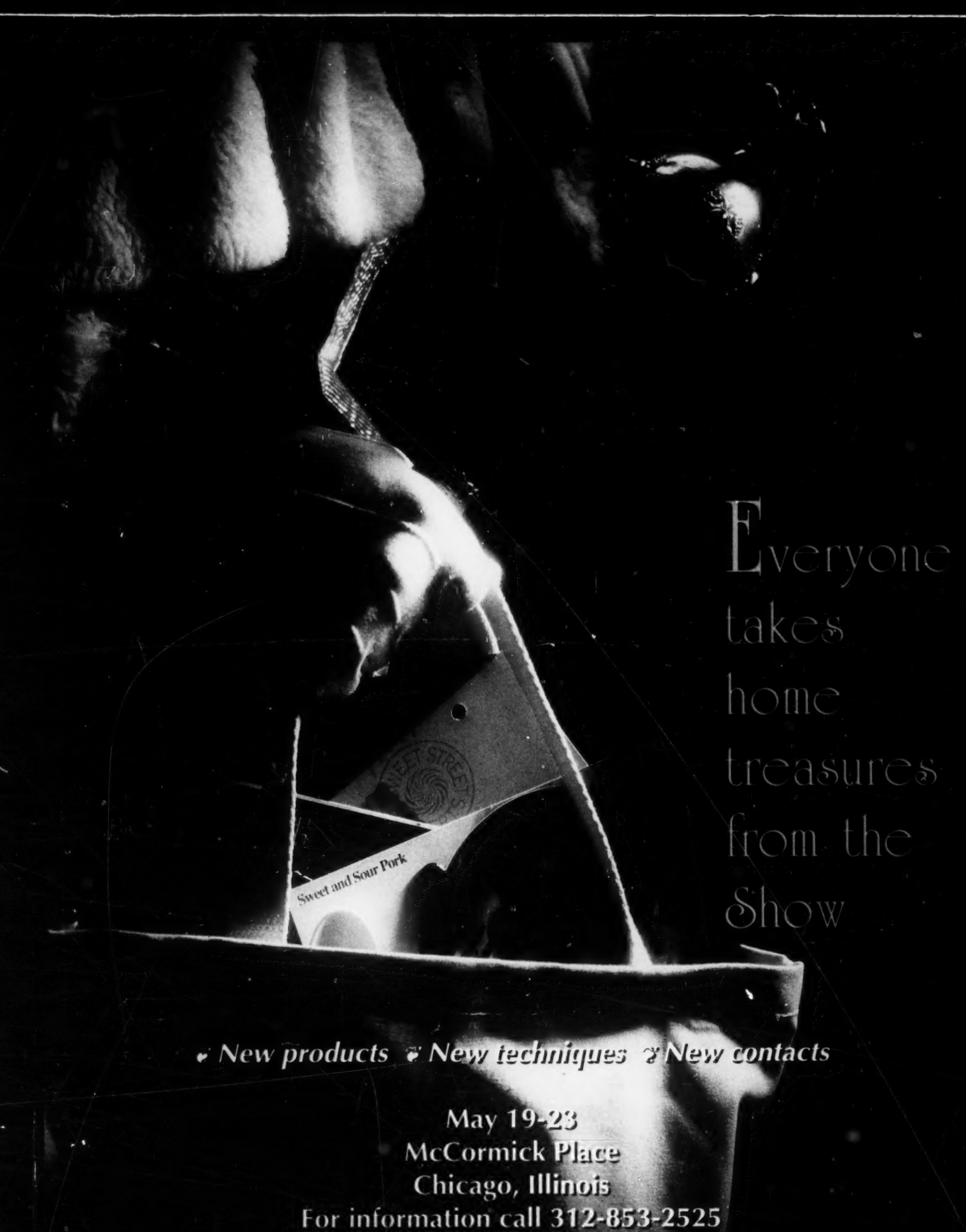
—Remi Restaurant

They want it fast, fresh and friendly

It's no secret that American diners are looking for ways to eat on the go, but a survey by Wendy's and Gallup of 1,029 fast food consumers points out more specifically what quick diners want:

- 76 percent desire friendly and helpful service
- 65 percent want freshly made sandwiches and
- 61 percent want to be able to make a special order without having to wait.

—USA Today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